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A CRITIQUE OF SECTIONS A AND C OF ARTHUR D. LITTLE'S AND URS RESEARCH COMPANY'S ENVIRONMENTAL IMPACT REPORT ON YERBA BUENA CENTER

AND

A RECOMPUTATION OF THE PROJECT'S IMPACT

July 27, 1973

BY Norman Rosenstein*
Arthur D. Fulton**

hired orig. by Friends of YBC

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"Yes, they're going to tear the block down. But skid row will still be with us, around the corner, across the city, in the hearts of defeated men."

George Dusheck, *News Call Bulletin*
January 7, 1960

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INTRODUCTION

The determination of fiscal and economic impacts of the Yerba Buena Center, as set out in the Environmental Impact Report done by Arthur D. Little, is based in large part on erroneous assumptions, statistical misinterpretations, and faulty computations. It is the purpose of this report, therefore, to correct these mistakes, and recompute the fiscal and economic impacts of the project.

In determining the facts it is not our purpose to find out the total jobs, sales, or taxes that the project will generate, but only those effects which would not occur if the project were not constructed. The authors of the EIR have recognized this basic point of approach, but have adhered to it inconsistently in their various computations throughout their study. For instance, in evaluating the impacts of the Apparel Mart they have at times attributed 100 percent of its effects as new and at other times only 75 percent. In our own study we are operating under the assumption that if YBC were not built the land would be developed privately in the manner similar to other development South of Market. Our estimation of jobs and revenues attributable to the project, therefore, is made with no alternative project in mind but just with regard to what would take place in the area under normal circumstances.

In doing our research and making our computations of impacts we have progressed directly from the first step to the last. Assumptions were researched and set down, the computations done, and the results set directly into the puzzle without back-tracking or pondering what the

effect would be on the end result. This inductive process, we feel, will testify to the good faith in which the study is executed.*

In many places we have had neither the time nor the ability to check assumptions and data supplied by the EIR. In these situations we have almost always given the EIR the benefit of the doubt and adopted their data. This is in spite of the fact that where we have been able to check their facts, we have found that they usually tended to exaggerate the benefit of the project. In this light, further research may reveal that many of our projections are too high and our assessment of impacts too sanguine.

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*This is to be contrasted with the process in which ADL's EIR was put together where drafts were submitted to Redevelopment for criticism and subsequently altered or in some cases redrafted to reflect the agency's desired conclusions. See San Francisco Progress, May 2, 1973.

PART I: ECONOMIC IMPACT

I. THE COMPONENTS OF ECONOMIC IMPACT

In determining the economic impact of the project we are interested in finding out the amount of new money that will be spent in the city as a result of the project and the number of new jobs this will generate. We have first looked at the impact of the facilities in the Central Blocks. These include the Exhibition Hall, the Sports Arena, the Apparel Mart, and the retail facilities. We have not bothered to consider the strictly "economic" impacts of the parking garage, the Theater, or the Airline Terminal, for both the authors of the EIR and we feel that these facilities will not cause new monies to be spent in San Francisco. In examining the Central Block facilities we have assessed them for their impact on: (1) hotel occupancy; (2) retail sales; and (3) restaurant business. In each case we have tried to determine the marginal revenues generated and the new jobs that would result. In some cases, such as that of the retail facilities, the impacts on hotel occupancy or restaurant business were irrelevant or negligible.

We, then, have looked at the impact of the construction activity in YBC to determine its impact on local employment. Finally, we computed YBC's total impact in terms of permanent jobs, both directly related to the project or generated as a result of it.

II. THE EXHIBITION HALL

A. CONVENTION TRADE AS A PERCENT OF VISITOR TRADE

The EIR starts out its argument by saying that visitor trade is very important to the San Francisco economy. It then goes on to show how convention-goers make up 40 percent of this visitor trade. The method by

which this 40 percent has been computed, however, contains a serious inconsistency which almost doubles the real portion of convention-goer trade.

The EIR has computed total visitor trade by means of a formula (see footnote **, p. V-A-46) that arrives at total visitor expenditures using known facts about total hotel tax receipts, the total tax rate, and the portion of total expenditures the average visitor spends on hotel accommodations. The EIR, however, fails to state that the formula can only reveal the total expenditures of those visitors actually staying in San Francisco hotels, but not those of visitors who either stay with friends or lodge outside the city. Nevertheless, these people do make expenditures in the city which must be added to the total visitor trade figure. Therefore the EIR's $267.5 million is unrealistically low.

However, when it comes to computing the total convention-goer expenditures for a percentage comparison with the total visitor expenditures, the EIR uses different and much more liberal parameters. They do not limit themselves to the expenditures of convention-goers staying in San Francisco[1] as they did in the visitor figure, but include a portion of expenditures by convention-goers staying outside the city as well.[2] They also throw in a figure for "convention related expenditures" which seems totally unjustified.[3] This is a figure of $30 per convention delegate that is supposed to represent registration and related fees. We have

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[1] 1970: $360.22 x .48 x 576,000 = $63 million.

[2] $100 x .52 x 576,000 = $30.2 million.

[3] $30 x 576,000 = $14.7 million.

examined the questionnaire used to obtain the average figure for convention-goer expenditures--$360.22--and have found that there is every reason to believe from the wording of the questions that the respondents included these registration fees, etc. in their estimation of total expenditures. Therefore the $63 million figure for convention-goers staying in town and the $30 million for convention-goers staying outside should include the $14.7 million attributable to registration fees, not be in addition to them. Furthermore, we have examined these registration fees in the case of the AMA convention and found that of the expenditures made in San Francisco for setting up that convention only a third of the average $30 registration is spent in the city.

In order to correct these assumptions, we have set up new ways to compute the ratio of convention-goer trade to total visitor trade without making the same mistakes that the EIR has.

1. From Table A-23 we can learn that the total number of visitors to the city in 1970 was 3,066,000 and from page V-A-45 that the total number of convention delegates was 576,000. This means that convention-goers made up 18 percent of the total number of visitors.

From Appendix A in Part I of the San Francisco Convention and Visitors Bureau study (Part I done by San Jose State Business School) we can learn that average expenditures per party per stay for all visitors was $294.34 in 1970. We can also learn that the average party size was 1.75 persons. Therefore, for all visitors there was an average expenditure of $168 per person per stay.

From Appendix B we learn that convention-goer per party expenditures were an average of $360.22 and that average party size was 1.58 giving an average per person expenditure of $228.

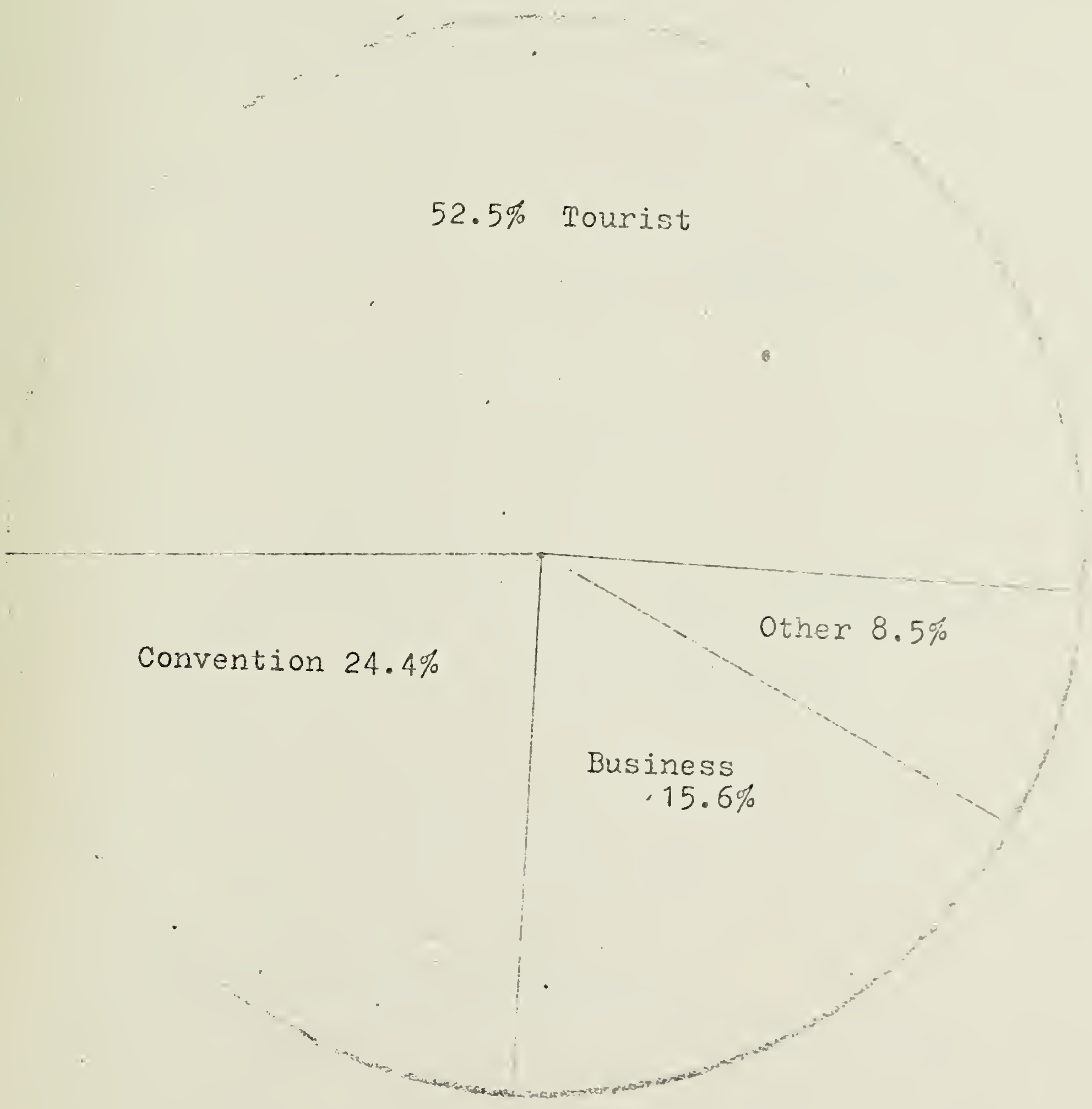
We see, then, that convention-goers have a positive leverage on total visitor trade. This leverage amounts to 228/168 = 1.35. Using this leverage figure we can find out the percentage of total visitor trade that convention-goers make up: 18% x 1.35 = 24.4%.

2. The second method of computation merely throws out the $30 million figure for expenditures of delegates staying outside the city, and the $14.7 million figure for "convention-related expenditures," and instead uses just total expenditures of visitors staying in San Francisco and the total expenditures of convention delegates staying in San Francisco. This makes the assumptions of the numerator and the denominator of the percentage fraction consistent: 63/267 = 23.6%. This method of computation expresses a ratio only for those staying in San Francisco hotels. If we are to extend this figure to describe the ratio of all convention-goers to all visitors we must assume that the spending habits of those staying in and out of the city are essentially the same.

From these computations it is quite evident that convention-goer trade amounts to no more than 25 percent of total visitor trade. This figure is probably still high since it is based in large part on the Convention and Visitors Bureau's estimate of 576,000 convention delegates in 1970. Since registered delegates were only 488,887 and since it is unlikely that a full 14 percent of San Francisco's convention-goers were registered. It is quite possible that the Convention Bureau's figure is inflated.

Using formula #1 we can compute the portion of visitor trade attributable to tourists. This is important since a substantial argument can be made

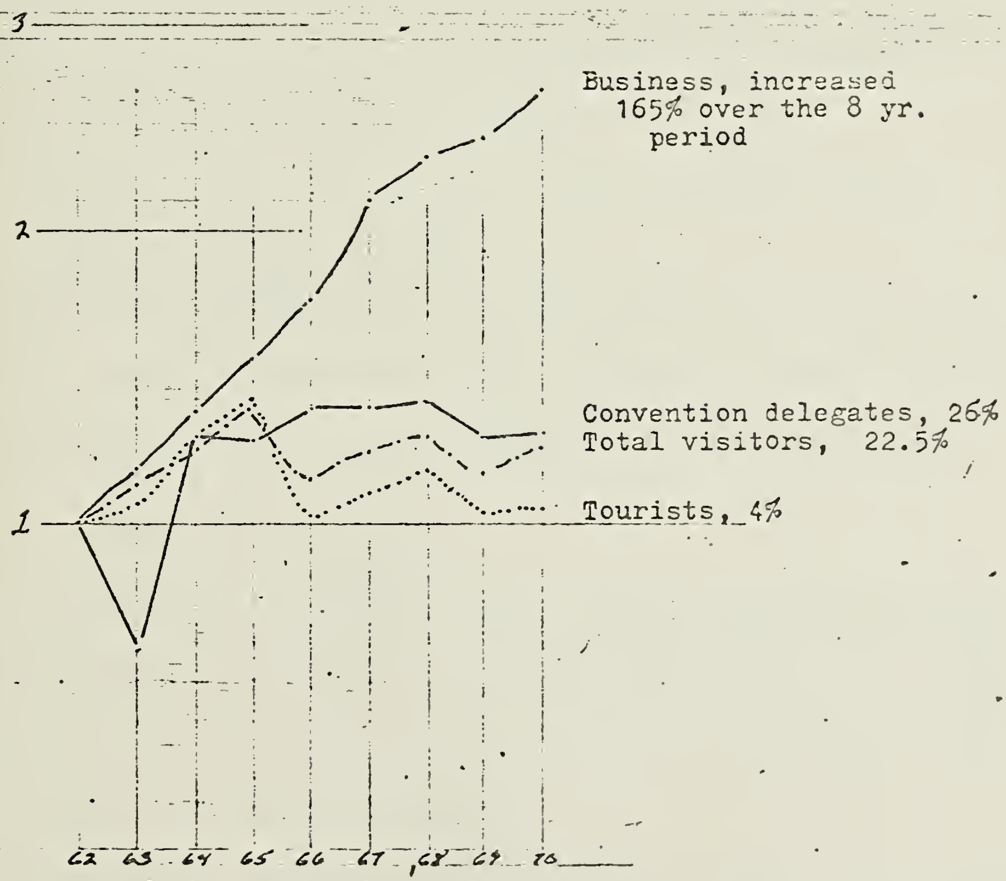
VISITOR TRADE



Graph 1

COMPARATIVE GROWTH RATES OF DIFFERENT TYPES OF VISITORS TO S.F.

Source: Convention and Visitor Bureau Study Part I, 1971



that the type of highrise development that the YBC plan entails is going to diminish the tourist portion of the visitor trade. Therefore, it is important to know how large this portion is.

In 1970 tourists made up 2,020,000/3,066,000 = 66 percent of the total number of visitors. The average tourist party expenditure (V-A-44) was $283.72 and the average party was 2.10 persons. Thus the average expenditure per tourist was $135. This was 135/168 = 80 percent of the average visitor expenditure. This means tourists had unfavorable leverage on total tourist trade. Thus: .80 x 66% = 53% - 52.5%

Business visitor trade, using the same formula, amounts to 15.6 percent. This adds up to 93 percent.

The last 7 percent is made up by visitors who are not classified.

The important point here is that convention trade is less than half of tourist trade and less than a quarter of total visitor trade.

B. MARGINAL YBC DELEGATES

In computing the marginal effect of the proposed YBC Exhibition Hall on convention trade, the EIR has made methodological errors in interpreting statistics and in some places totally arbitrary projections on which they later base crucial revenue estimates.

Their general approach in determining the number of new delegates attributable to the YBC Center is to make a very dubious interpretation of data concerning past convention-goers, which they readily admit is

inconclusive (but do not admit is erroneously interpreted). They then arbitrarily set down a projection of marginal impact that is based in no way on the statistical interpretation, but which they hope will, nevertheless, stand up merely because the statistical interpretation has been made.

1. Convention Delegate Trends. The first methodological flaw occurs in the interpretation of statistics describing the number of registered convention-goers from 1960 to 1970. The EIR notes that during this ten-year period the number of convention-goers increased 60 percent. Using least squares analysis on this data they claim a growth of 6.5 percent per annum.[5] What they do not bother to explain, however, is that least squares analysis is only useful where there is one continuous curve and a consistent rate of growth. Convention business in San Francisco, and everywhere else for that matter, has never followed such a pattern.

Looking at the graph of the number of convention-goers per year it is quite obvious that there is no consistent rate of growth and that there is not one curve in the data for 1960 to 1972, but three. The EIR admits on page V-A-81 that the likelyhood of a 6.5 percent per annum growth rate continuing on into the future is very questionable. What they do not admit is that this growth rate has never taken place in the past. True, convention delegates did increase by 60 percent from 1960 to 1970,

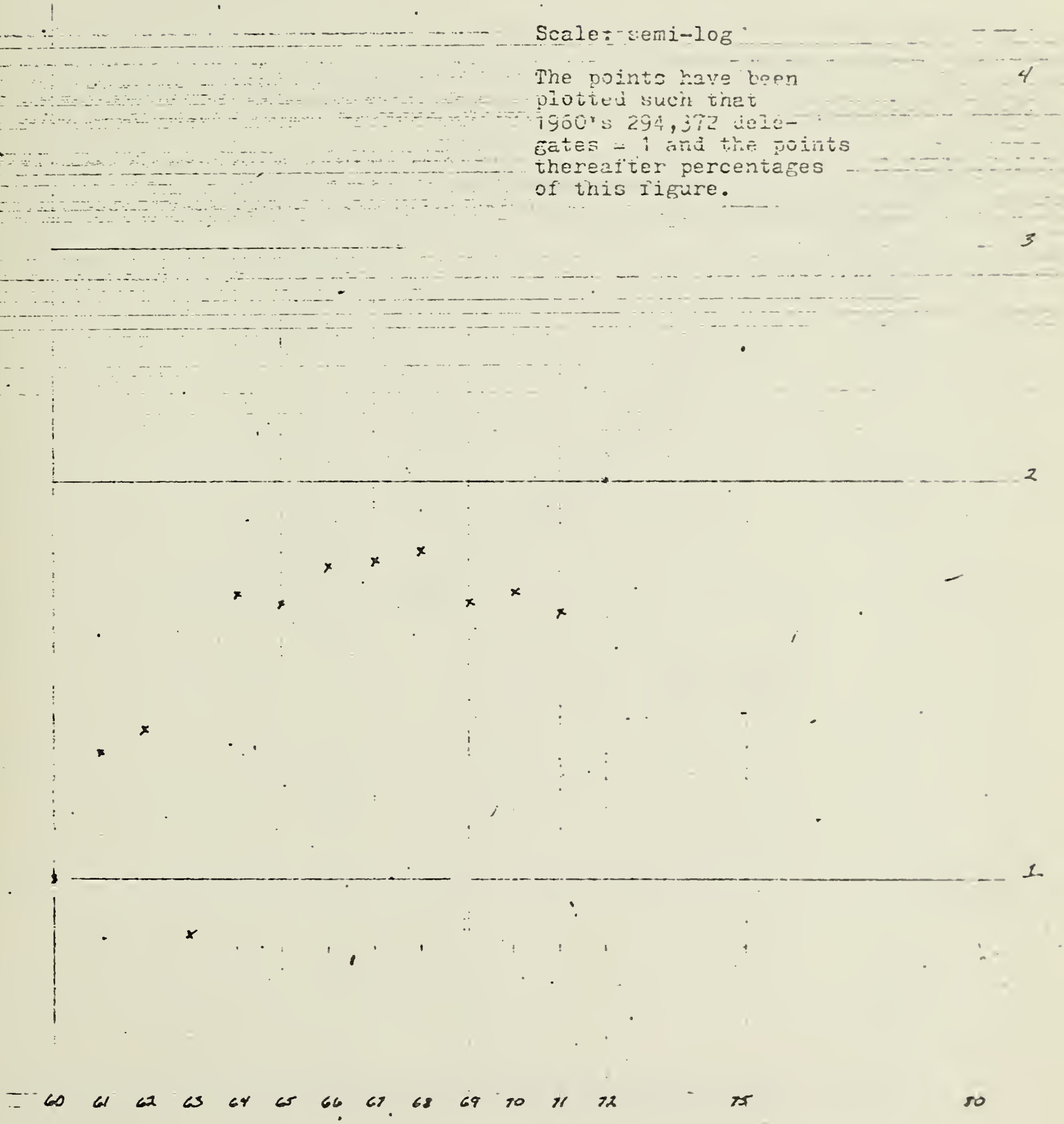
---

[5] The compilation of data from 1960 to 1970 and the projection into the future at 7 percent per annum (it is 7 percent that is projected, not 6.5 percent as the EIR claims) has been done by Development Research Associates and is represented in Table A-40 in the EIR. It is interesting to note that the EIR throughout the Economic and Fiscal Sections has to a great extent foregone doing its own research and its own calculations and instead has relied heavily on previous studies done primarily for the purpose of promoting the project.

Graph 2

CONVENTION GOERS PER YEAR

FROM 1960 TO 1972

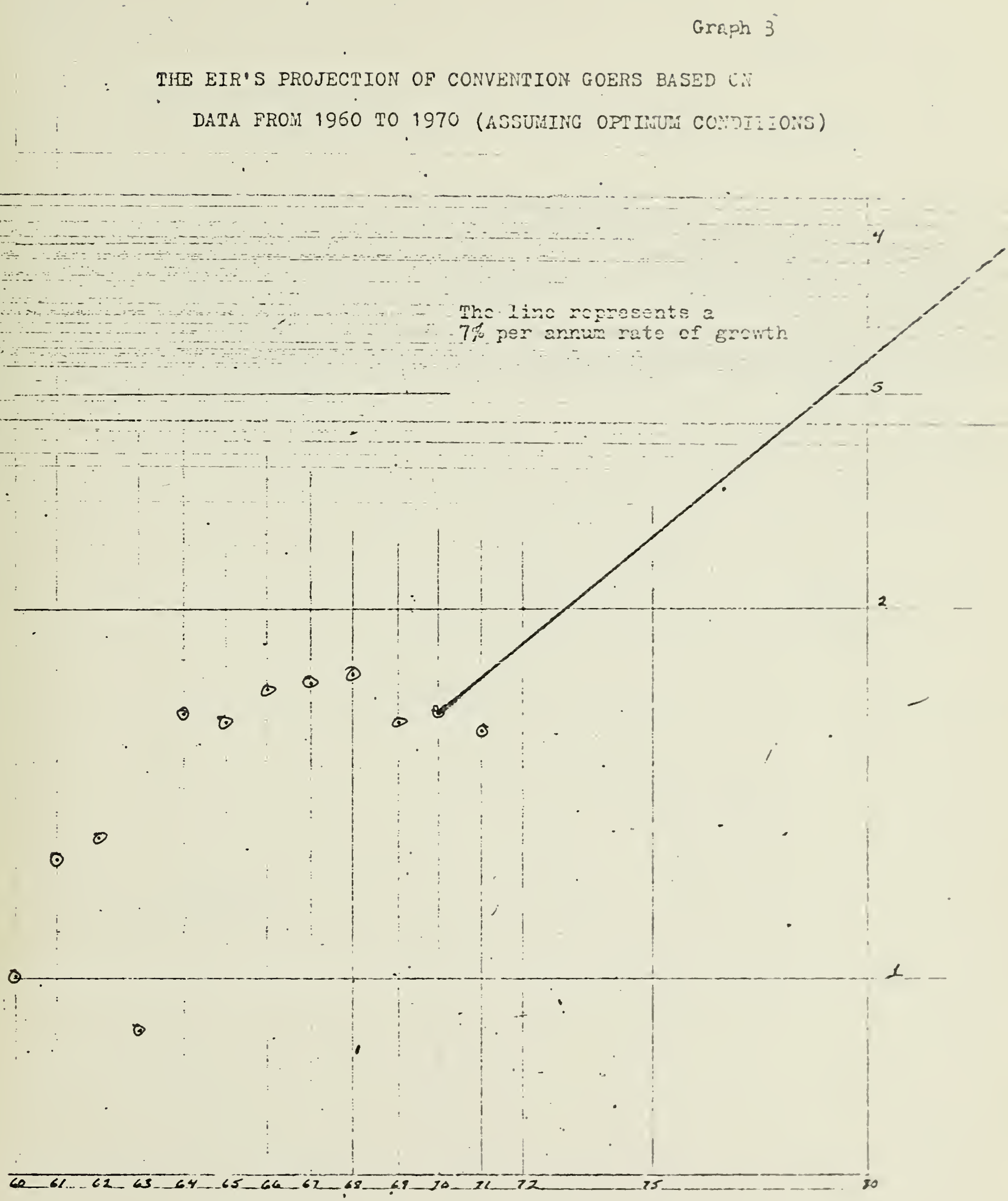


Scale: semi-log

The points have been plotted such that 1960's 294,372 delegates = 1 and the points thereafter percentages of this figure.

Graph 3

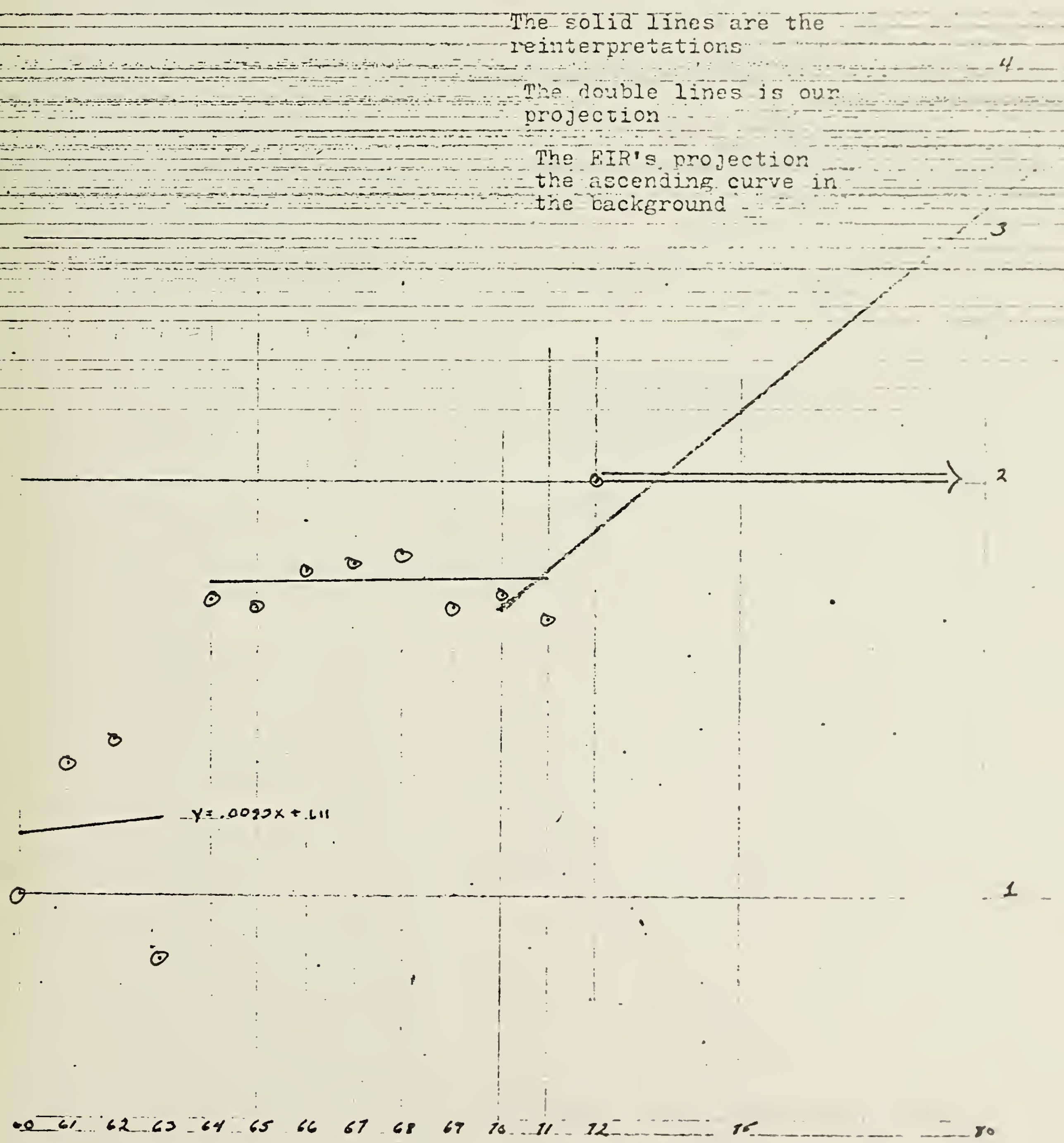
THE EIR'S PROJECTION OF CONVENTION GOERS BASED ON DATA FROM 1960 TO 1970 (ASSUMING OPTIMUM CONDITIONS)



The line represents a 7% per annum rate of growth

Graph 4

OUR REINTERPRETATION OF DATA FROM 1960 TO 1970 AND PROJECTION OF FUTURE DELEGATE NUMBERS (WITHOUT YBC)



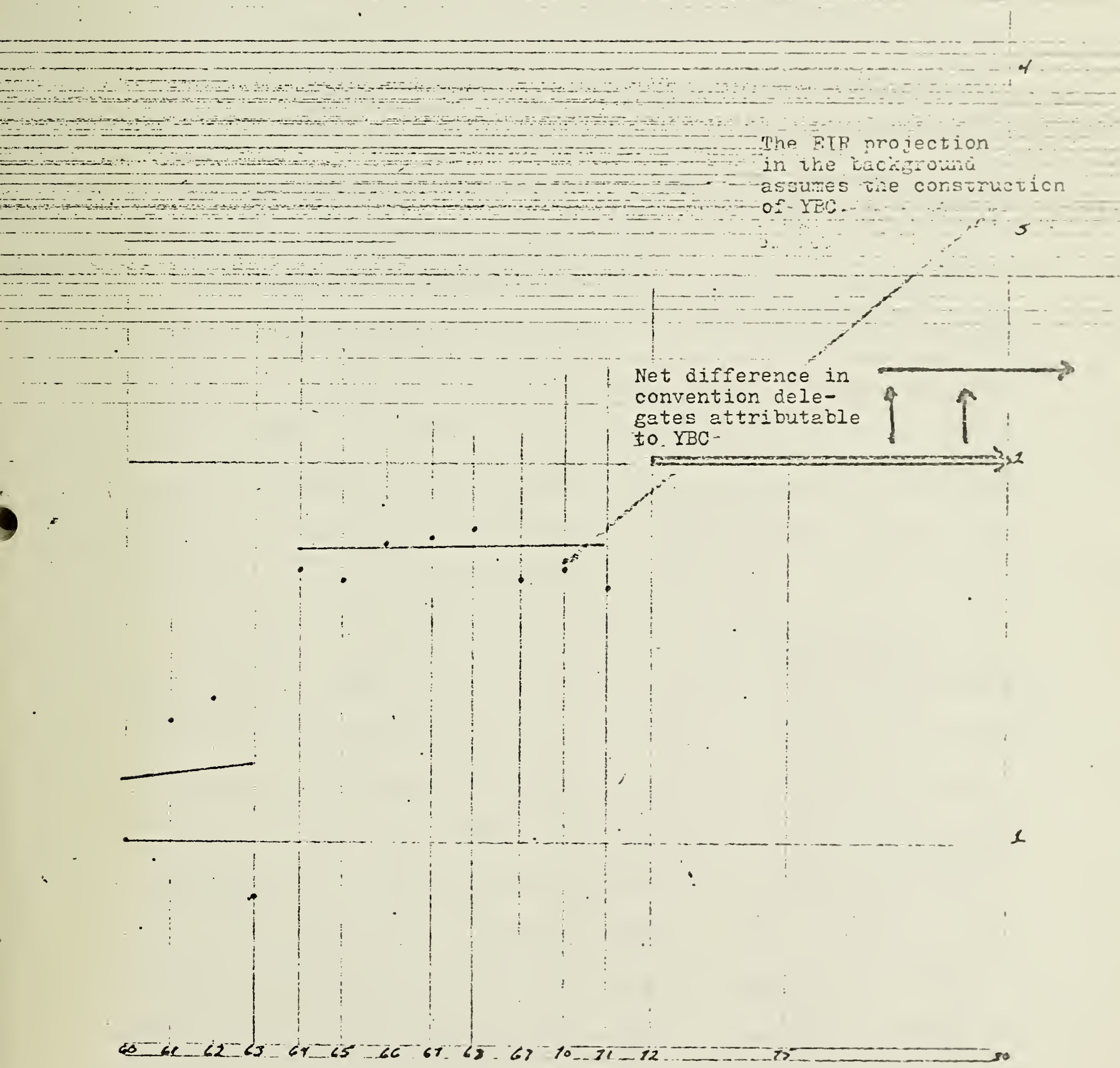
The solid lines are the reinterpretations

The double lines is our projection

The EIR's projection the ascending curve in the background

Graph 5

OUR PROJECTION OF CONVENTION GOERS WITH YBC



The EIR projection in the background assumes the construction of YBC.

Net difference in convention delegates attributable to YBC

but this alone does not evince an annual growth rate. Again, looking at the graph we see that the entire growth took place in one year, January, 1964 to January 1965, and that since 1964 the graph has been flat until a jump again in 1972. Therefore, a more accurate interpretation of the data indicates that the trend in delegate numbers follows two flat curves, one described by the data from years 1960, 1961, 1962, and 1963, and the other by data bounded by years 1964 and 1971.

The jump in 1972 could represent a new basis for a flat curve extending several years into the future. It certainly does not, as past data quite conclusively attest, indicate the type of ascending curve that the EIR projects. More likely, the 1972 jump is explained by the sudden surge in the economy in that year and may not be sustained as the economy begins to cool off in late 1973 and 1974. This logically coincides with the fact that convention business is not a growth but a cyclical industry.

The significance of the EIR's erroneous projection of convention-goers is seen on page V-A-83 where we see it used as one of the assumptions on which the YBC's marginal impact is computed. It is interesting to note briefly the contradiction of statements made on page V-A-81, "the forecast (DRA's 7 percent per annum) is used here only as a comparative base to illustrate the probable percentage impact the YBC Exhibit Hall will have on Brooks Hall and the convention industry in San Francisco," and on page V-A-83 where they state they are going to assume for their calculations of all YBC's economic impacts that "the convention industry will continue to grow at a rate at least equivalent to that projected by Development Research Associates in Table A-40." What is going on here is very simple. While the authors of the EIR are actually discussing their

projection of convention-goers, and all its shortcomings are before the eye, they make light of the use they are going to make of it. Then a few pages later, when the reader's attention is no longer focused on it, they reinstitute the projection as the basis for all other computations of YBC's economic and fiscal impact.

2. Our Projection of Annual Convention Delegates. Having pointed out the shortcomings of the EIR's projection of annual convention delegates it is now necessary to replace it with a more accurate projection of our own.

We have done this by predicting that the number of delegates in 1972 is the basis of a new flat curve similar to the one from 1960 to 1964 and the one from 1964 to 1972. What we are saying here is that in spite of the possible cyclical nature of the jump in delegates in 1972, we feel that it still represents a sort of quantum leap that will eventually be sustained over a longer period. What we see happening is delegates dropping off slightly in 1973-1975, then picking back up again towards the end of the decade.

The reasoning by which we arrived at this projection recognizes that there are many factors which influence convention business. The state of the national economy exerts an influence on the overall market. Local setting and environment are important in determining the number of conventions attracted by any one city. But, probably most important is the availability of convention facilities. Of these, clearly sufficient hotel space is paramount. From 1959 to 1964 total hotel and motel units in San Francisco (of the quality that would be used by convention delegates)

increased from 5,181 to 7,390. Looking at the graph we can see that this was followed by a precipitous increase in convention delegates in 1964. From 1964 to 1970 there were no new rooms added to San Francisco's stock and the curve of convention delegates was also flat. Now from 1970 to 1972, 4,790 new rooms were added and again in 1972 we see a large gain in the number of convention delegates. From this we have theorized that the latest increase in hotel rooms has caused a jump in convention delegates that will be sustained into the future.

The EIR's projection in Table A-40 is of a fundamentally different nature. Their curve, it seems, was meant to represent a sort of raw delegate demand, independent of local conditions such as the number of hotel rooms, the amount of exhibition space available, or anything else. Their figures, in other words, assume optimum conditions. The purpose of this sort of projection is to facilitate an argument which says a vast potential for convention business exists and is just waiting to be picked off for the price of removing a couple of impediments in the local situation, like a shortage of exhibition space. The thing about a quantity like "potential delegates," however, is that it is unrealistically hypothetical. There is really no way to arrive at it. It certainly cannot be derived, as the EIR has attempted, from past data on annual delegate numbers, which are clearly influenced by factors inherent to the local situations at particular points in time.

Our projection, by contrast, is based on the situation as it presently exists. It takes into account all the constraints of the current setting whatever they might be. With this sort of projection

we are in a much better position to measure the marginal effect of any change in the local environment, for now we have a "before" figure to subtract from our "after" figure to arrive at a "net change." For instance, if there is an increase in the number of hotel rooms we know from past experience about how much this will augment our present projection of delegates per year. Immediately we have the basis for determining the net effect. Similarly, when we determine a little further on how YBC will affect our projection of the annual number of delegates we will immediately be in a position to determine the project's marginal effect.

Since the nature of the EIR's projection of total yearly delegates fails to supply the basis for computing YBC's marginal delegate impact, the EIR must turn somewhere else to find such a basis. It does this by attempting to project the annual number of delegates requiring exhibition space. It goes about this projection and the ultimate computation of marginal impact in a most peculiar manner. The first step it takes is an attempt to show that there is a growing number of delegates attending conventions that need exhibition space outside hotels.

3. Convention Delegates Scheduled for Brooks Hall.

> The convention industry will continue to grow at a rate at least equivalent to that projected by Development Research Associates in Table A-40. The current bookings for Brooks Hall in 1977 to 1980 shown in Table A-42 illustrates the relative conservatism of this assumption.

Looking at Table A-42 we see that it shows nothing of the kind. The number of convention-goers actually scheduled for Brooks Hall in 1977, 1978, 1979, and 1980 follows a flat curve, not an ascending one as projected in Table A-40. Referring to page V-A-81 we see that even in 1968

there was the same 180,000-200,000 delegate demand for exhibition space in Brooks Hall that there is in 1977, 1978, and 1979. Also, the argument that there are still more delegates to be scheduled for these years cannot really be made, for if we accept the footnote on page V-A-87 which says that large conventions schedule five to ten years in advance and medium-sized conventions three to five, then we must consider the reservations for 1977 and 1978 all in. In fact, the numbers set down in A-42 are probably high since most conventions reserve space in excess of what they actually use.* What this indicates is that the demand for exhibition space is not escalating but following the same sort of level curve as that described by the annual total of convention delegates from 1964 to 1972 (see graph 4).

4. Convention Delegates Scheduled Exclusively for YBC. Brooks Hall has a maximum of only 162,000 square feet of exhibition space (the EIR's figure on page V-A-81 is incorrect). YBC is supposed to have 391,500 square feet. To guage the demand for exhibition space over and above what Brooks Hall can provide we should look at the number of conventions and convention delegates that would not come to San Francisco if YBC were not built. Looking at Table A-44 we see that they represent anywhere from 5 percent to 13 percent of the total delegates we have projected (without YBC) for the period from 1977 to 1980. Of course if one were to accept the Development Research Associates projection the percentage would be even smaller.

Strictly speaking these figures for delegates exclusively scheduled for YBC are the only ones from which YBC's marginal impact can be interpreted. However, if one accepts the premise that there are many conventions around which need vast amounts of exhibition space, which we do not,

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*Mr. Hobart, AMA, Chicago, Ill.

then a plausible argument can be made that many conventions have not bothered to schedule even tentatively without the certainty of YBC's availability.

5. The EIR's Projection of Marginal YBC Delegates. The authors of the EIR have not only accepted this argument but exploited it with a vengeance, allowing themselves to inflate their projection of delegates marginally attributable to YBC by anywhere from 42 percent of delegates actually scheduled in 1978 to 450 percent of those in 1979.

Year	Delegates Exclusively Scheduled for YBC	EIR Projection of Marginal YBC Delegates
1977	39,500	91,500
1978	77,000	109,000
1979	27,500	120,000
1980	53,000	148,000

Just how absurd this projection of YBC marginal delegate impact is, is evident if we examine the EIR's method of computing it. Their first step was to arrive at a figure for TOTAL DELEGATES REQUIRING EXHIBITION SPACE OUTSIDE SAN FRANCISCO HOTELS (see line marked "TOTAL DELEGATES," Table A-46, page V-A-86). They did this by adding together projections they made of delegates using Brooks Hall and YBC. Looking at the projection made for Brooks Hall (see Table A-46) we see that projected delegates in 1977 exceed the 49,000 delegates actually scheduled (see Table A-43) by 5,000 delegates, or ten percent, even though, according to the footnote on page V-A-87, all reservations for Brooks Hall are supposed to be in. Looking at the projection for total YBC delegates (the reader should note

the difference here between marginal YBC delegates and total YBC delegates) we see the same thing. In 1977, although there are only 166,500 delegates scheduled, the EIR has projected 204,000.

Year	Scheduled	Projected by EIR
1977	166,500	204,000
1978	190,000	220,000
1979	157,000	236,000
1980	123,000	255,000

What the EIR has done here, in both the case of Brooks Hall and that of YBC is to allow, arbitrarily, the number of "use-days" for each exhibition facility to increase by a fixed number each year until the facilities are used to their capacities. In the case of YBC it is ten days a year and for Brooks Hall it is first five and then ten. Total delegates for each have, thereafter, been computed by adopting an average figure for delegates per use day and then multiplying this by the number of use-days. The significant thing about this computation is that it assumes what it is supposed to prove, that YBC and eventually Brooks Hall will be used to capacity.

To justify this sort of guess about the number of delegates demanding exhibition space, the authors of the EIR must have hoped that the reader would assume that the projections in Table A-40 would accomplish this. They say as much on page V-A-83, "Our estimates are based on several assumptions: the convention industry will grow at least equivalent to that projected by Development Research Associates in Table A-40." However, even if we accept the projections in Table A-40, which we obviously

do not, they are still not applicable. First of all, Table A-40 is a projection of all convention delegates while A-46 (the "TOTAL DELEGATE" line) is just of convention-goers requiring exhibition space. For the one projection to be applicable to the other's situation we would have to assume that the number of convention delegates requiring exhibition space was a fixed portion of total convention volume. Thus, when one of the quantities moved up or down the other would move in locked step with it. The EIR, however, does not make, let alone prove, such a point.

Second, even if Table A-46 and A-40 were comparable, the growth rate in A-46 inexplicably outstrips that in A-40. That is, Table A-46 postulates a nine percent per annum growth in the number of delegates using exhibition space, while A-40 proposes only a seven percent per annum growth in total delegates. There is no way, then, that the figures in A-40 can logically be considered to justify those in A-46.

Having established its figures for total delegates demanding exhibition space, the EIR moves on to its second step of establishing "marginal YBC delegate impact." This proves to be one of the most enigmatic operations in the whole report. For some inexplicable reason the authors decided that the difference between their projection of total delegates demanding exhibition space (Table A-46) and the number of delegates actually scheduled for the YBC facilities (from Table A-45) would serve as the marginal impact. Normally to compute marginal impact one subtracts from a gross figure, the delegates, or whatever, that would have happened without the change under consideration. In this light it is impossible to understand how the 166,500 delegates scheduled for 1977 (see Table A-45), among whom are 39,500 who according to Table A-44 would not come

if YBC were not built, can suddenly be considered the portion of delegates who would come regardless. Perhaps they were lying to us in Table A-44. Then again it is impossible to understand why the remaining 91,500 out of the EIR's arbitrary projection of 258,000 delegates demanding exhibition space would not come if YBC were not built. There is absolutely no rhyme or reason to the EIR's computation here. What it seems the authors have done is executed a sort of statistical hocus pocus, intended to appear as a methodical interpretation, so as to mask over the fact that the EIR's figures for the marginal delegate impact of YBC have been pulled from a hat.

In brief it should be noted that this elemental figure in the computation of practically all the project's economic and fiscal impacts have been arrived at as a result of no coherent interpretation of what has gone on in the past. Statistics concerning annual convention delegates and scheduled delegates demanding exhibition space have been set down. However, the projections made on their basis have been misconstrued and even these misconstrued projections have been abandoned or misused in the final determination of total delegates requiring exhibition space and marginal delegates attributable to YBC. Ultimately these figures have been arrived at arbitrarily. They only bear the pretense of having been based in past fact.

6. Our Projection of Delegate Impact. Since the EIR's determination of marginal delegate impact is obviously incorrect we must replace it if we are to compute the other economic and fiscal impacts accurately. In doing this we are in somewhat the same position as the EIR in that we

are forced to make a guess. We think, however, that we can make a much better one by doing a more realistic interpretation of past data.

Referring back to our projection of total convention delegates on page I-8, it is our assumption, or guess, if you must, that YBC will cause another quantum jump of the variety that took place in 1964-1965 and 1972-1973. The first of these jumps amounted to 147,000 delegates above the line described by the 1960, 1961, 1962, 1963 curve (see graph 4). The second amounted to 94,000 above the 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971 curve line. The average gain here is 120,000 delegates. We believe that both of the gains were strongly influenced by increases in the hotel room stock. Sources we referred to[6] indicated that the availability of exhibition space is a considerably less significant factor. This is borne out by the fact that in 1968, the city's heaviest convention year of the decade, only 15 of the 740 conventions needed exhibition space outside their hotels. In this light we have projected, extremely generously we think, that the YBC exhibition facilities will result in an increase of 100,000 delegates over the 1972 level. The curve thereafter will once again be flat assuming that there are no other changes in the local environment which affect convention trade. If changes do occur the curve may move up or down, but this, of course, will not affect our estimation of YBC's "marginal delegate impact."

It should be noted here that in light of the rather secondary importance of exhibition space as a factor affecting convention trade, our

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[6] Joe Balzer, manager of Brooks Hall and also the economic feasibility study done on McCormick Place in Chicago by Booz-Allen-Hamilton, Inc.

estimate of 100,000 new delegates as a result of YBC may be unjustifiably high. Certainly the figures in Table A-44, which show an average of only 50,000 delegates a year scheduled for YBC, 1977-1980, would indicate this. Nevertheless, we have gone ahead and used the 100,000 delegate figure in our computations of the project's other impacts.

YBC Marginal Delegate Impact

Year	EIR (Table A-46)	Ours
1977	91,500	100,000
1978	109,000	100,000
1979	120,000	100,000
1980	148,000	100,000
1981	176,000	100,000
1982	196,000	100,000
1983		100,000

C. MARGINAL DELEGATE EXPENDITURES

1. Portion of Delegates Staying in S.F. Hotels. Having computed its figures for marginal impact the EIR goes on to assume that 80 percent of these delegates will stay in San Francisco hotels. This is in spite of the fact that in the past only 48 percent of delegates stayed in San Francisco. The EIR's stated rationale for hiking the 48 percent figure to 80 percent is that YBC delegates will be primarily with national conventions and that these tend to have a rate of 80 percent staying in the city. Checking the Convention and Visitors Bureau study page 32, which is where the EIR got its figures in the first place, we see that the ratio of national convention-goers staying in San Francisco hotels is not 80 percent, but 76 percent. It is also interesting to note that national

convention delegates in 1970 made up only 28 percent of total delegates. Therefore it seems very unrealistic to assume, as the EIR has, that 100 percent of YBC's marginal delegates will be with national conventions.

For the purpose of our calculations we have arbitrarily said that the breakdown will more likely be 80 percent national delegates and 20 percent "regional," "state," and "district" delegates. Thus to compute the ratio of YBC marginal delegates staying in the city: .8(76%)[7] + .2(31%)[8] = 67.2%

2. Expenditures of Total YBC Delegates as Projected in Table A-47 of the EIR. This Table computes the expenditures of total YBC delegates from 1977 to 1980. It is really irrelevant to the whole purpose of determining economic impact since it is marginal delegate expenditures that must be used for this.

It is important here to clear up the concept of "impact" which the EIR has considerably confused by the use of terms like "total impact" and "gross impact." There is no such thing as "gross impact." "Impact" by its very nature is "net." That is, if one does something that has no

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[7]

Delegates	Staying in S.F.	Total	
International	4.674	7,003	
National	154.970	203,555	
	159.644	210,558	$\frac{159,644}{210,558}$ = 76%

[8]

Delegates	Staying in S.F.	Total	
Regional	36,635	91,769	
State	26,249	61,953	
District	3.085	11,903	
Trade	49,002	200,042	
	114,971	365,667	$\frac{114,971}{365,667}$ = 31%

effect on a situation one is measuring, one's action has "zero impact," not a "gross impact" of x and "net impact" of zero. Therefore, in determining the impact of a development project we are only interested in marginal effects of that project--that is, the effects that would not occur unless the project were done. In this sense gross effects are relevant to our study only inasmuch as they are necessary for computing marginal effects.

By means of the gobble de gook in Tables A-42, A-43, A-44, A-45, and A-46, which we have already discussed, the EIR claims to have computed both YBC's gross delegates and its marginal delegates. As we have seen they have done nothing of the kind. Now in Table A-47, the EIR unnecessarily goes on to compute gross YBC expenditures on the basis of the fabricated gross delegate figures. Since our own computation of marginal delegates attributable to YBC is based on the assumption that the project will precipitate the same type of quantum jump in total delegates as took place in 1964 and 1972, we have no need of knowing what YBC's gross delegate expenditures will be. In fact, there is really no way of computing this sort of figure.

3. Expenditures of Marginal YBC Delegates. We can now address ourselves to the computation of expenditures of the 100,000 marginal YBC delegates we identified.

In Table A-47 the EIR used the following algorithm to compute the expenditures of all YBC delegates staying in San Francisco hotels:

1977 = (.80[9])(204,000[10])(474.02[11]/1.58[12]). Substituting the appropriate value for marginal YBC delegates for (204,000) and changing (.80) to our corrected version of the percentage of YBC delegates staying in San Francisco hotels we can use this same algorithm to compute the expenditures of marginal YBC delegates staying in San Francisco hotels: 1977 = (.672)(100,000)($476[13]/158) = $20.3 million. The values we get as a result of this are:

Expenditures of YBC Delegates Staying in San Francisco

Year	Millions of Dollars
1977	20.300
1978	21.000
1979	21.900
1980	22.800
1981	23.600
1982	24.600

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[9] This is the EIR's figure for the percent of delegates staying in San Francisco hotels.

[10] This is the EIR's figure for gross YBC delegates.

[11] This is expenditures per trip per party. (Convention and Visitors Bureau Study, and EIR page V-A-44.)

[12] This is average party size. (Convention and Visitors Bureau Study.)

[13] This is the 1970 per party expenditure, $360.22, inflated at four percent per annum to the year computation such that:

in 1977--$476 is spent per convention party per visit
" 1978--$493 " " " " " " "
" 1979--$515 " " " " " " "
" 1980--$535 " " " " " " "
" 1981--$555 " " " " " " "
" 1982--$578 " " " " " " "

The comparable table in the EIR is Table A-51:

Year	Millions of Dollars
1977	22.000
1978	27.210
1979	31.150
1980	39.960
1981	49.420
1982	57.230

The difference results from the EIR's different values for marginal delegate impact and their use of 80 percent instead of 67.2 percent as the portion of delegates staying in San Francisco hotels. Their algorithm for 1977, for instance, would be: 1977 = $\underline{(.80)}(\underline{91,500})(476/1.58)$ = $22.0 million.

The EIR has, interestingly enough, accepted Table A-51 as the total expenditures of all marginal YBC delegates, instead of as only the expenditures of those marginal delegates staying in San Francisco hotels, as would seem correct. The fact that they have accepted these figures as total marginal expenditures is seen in the statement on page V-A-92, "Table A-51 shows this most important [underlining theirs] net economic impact of the YBC Exhibit Hall on business income in San Francisco between 1977-1982." This seems quite inconsistent with the computation of total (as opposed to marginal) YBC delegates in Table A-50 where the EIR went to great lengths to include expenditures of YBC delegates staying outside San Francisco hotels and also registration fees ("other convention-related expenditures") for all delegates. The omission of these items from marginal delegate expenditures surely seems a mistake. In light of the

fact that the other statistical misinterpretations, erroneous assumptions, and miscalculations have tended to enhance the beneficial economic impact of the project, this error seems quite out of place and therefore is probably unintentional.

We do, however, feel that some account should be made of the other items used to compute Table A-50.

On page V-A-89 the EIR sets forth its methodology for computing the expenditures of YBC delegates not staying in San Francisco. Their algorithm is: 1977 = (204,000[14])(.20[15])($131.60) = $5.37 million. Our adjusted version is: 1977 = (100,000[16])(.328[17])($131.60[18]) = $4.3 million. It should be noted here that the EIR's algorithm is for gross delegate expenditures, whereas ours is for marginal delegate expenditures. As we have pointed out, the EIR makes no determination of marginal expenditures for delegates not staying in San Francisco hotels.

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[14] This is the EIR's fabricated figure for gross YBC delegates.

[15] This is the EIR's figure for the portion of YBC delegates not staying in San Francisco hotels.

[16] This is our figure for YBC marginal delegate impact.

[17] This is our figure for the portion of YBC delegates not staying in San Francisco hotels.

[18] This is based on a figure of $100 spent in San Francisco by the average convention-goer not staying in San Francisco in 1970. We inflated our figures by four percent a year. The figure comes from page 33 of the Convention and Visitors Bureau study which admits in a footnote at the bottom of the page that it is not much more than a guess.

Expenditures of Marginal YBC Delegates Not Staying in S.F. Hotels

Year	EIR	Ours
1977	(not computed)	$4.30 million
1978		4.50 "
1979		4.65 "
1980		4.85 "
1981		5.05 "
1982		5.25 "

On the same page in the EIR the argument is made that any computation of YBC delegate expenditures should include $30 per delegate for "convention-related expenditures." Having read the Convention and Visitors Bureau study done by Messrs. Ostreich and Wassenar, we feel that this $30 is already included in the $360.22 average expenditure. They seem to think so too, as indicated by the footnote on page 33. To consider this expense separate one would have to assume that the respondents to the Convention and Visitors Bureau study questionnaire did not include registration fees in their total estimation of expenditures. There is a plausible argument for this, actually. Since registration fees are often spent in advance, the respondents may not have considered them expenditures of their visit. On the other hand, they just as well may have. In any event there is no way all of this $30 can be considered to be spent in San Francisco. We have looked at the AMA convention and determined that about $10 per delegate is the actual portion that is added to the San Francisco economy.

23,400 man-hours of labor x $6.00	=	$140,000
Exhibit Hall rent	=	55,000
Other expenses	=	60,000
		$255,000

$$\frac{\$255{,}000}{25{,}000 \text{ delegates}} = \$10.20 \text{ per delegate}$$

The other $20, if we can believe the Convention and Visitors Bureau's $30 figure, most likely goes to the national organization to pay for administrative expenses and otherwise add to the organization's coffers.

Therefore, although we feel there is a great deal of justification for not including these "other convention-related expenses" at all, we are going to do so anyway, to the amount of $10 per delegate. Our algorithm will be: (100,000 delegates)($10)(a factor to inflate the 1970 dollars at 4% per annum). Thus:

1977--$1.316 million
1978--$1.370 "
1979--$1.420 "
1980--$1.480 "
1981--$1.540 "
1982--$1.600 "

Thus, total expenditures in San Francisco of YBC's marginal delegates will be:

Year	Staying in S.F.	Not in S.F.	"Other Exp."	Total	EIR
1977	20.30	4.30	1.32	25.92	22.00
1978	21.00	4.50	1.37	26.87	27.21
1979	21.90	4.65	1.42	27.97	31.15
1980	22.80	4.85	1.48	29.13	39.96
1981	23.60	5.05	1.54	30.19	49.42
1982	24.60	5.25	1.60	31.45	57.23

To find out what percentage of total convention trade this is we can compute total convention trade by:

$$\begin{array}{llcl} 1977 = & (700{,}000 \text{ delegates})*(.48)(\$476/1.58) & = & \$101 \text{ x } 106 \\ & (700{,}000 \quad '' \quad)(.52)(131.60) & = & 48 \text{ x } 106 \\ & (700{,}000 \quad '' \quad)(\$13.16) & = & \underline{9.7 \text{ x } 106} \\ & & & 159.2 \end{array}$$

Then, $\frac{25.92}{159.2} = 16.3\%$

Therefore, YBC's portion of total convention trade in 1977 is 16.3 percent and (.25 x 16.3% = 4%) four percent of total visitor trade. The likelihood of these percentages continuing into the future rests on the assumption that total visitor trade will grow as fast as convention trade. In actuality, we do not believe this will be the case since the YBC project, according to the EIR, will dramatically increase density and congestion in the city, and thus probably have a depressing effect on tourist trade. Therefore, YBC delegates may gain a higher proportion of total visitor trade by actually causing the total number of visitors to the city to decline.

D. IMPACT ON THE HOTEL INDUSTRY IN S.F.

In Table A-52 the EIR has attempted to compute the impact of YBC on San Francisco hotel room demand. They have, however, once again done this on the basis of the incorrect assumptions about the number of marginal YBC delegates, and the portion of YBC delegates staying in San Francisco, which we have already discussed.

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[*] See page I-8 and graph 5, our projection of delegates without YBC in 1977 is 600,000. With YBC it is 700,000.

To correct these calculations we should address ourselves, first, to column four, "Annual Room Days Sold." The algorithm the EIR uses here is:

$$1977 = \frac{(91{,}500 \text{ marginal delegates})(.80^{19})(5.02^{20})}{(1.58^{21})}$$

We will replace this with our corrected algorithm:

$$1977 = \frac{(100{,}000)(.672)(4.59^{22})}{1.58}$$

Thus:

Marginal YBC Delegate Room-Day Demand

Year	EIR	Ours
1977	232,576	196,000
1978	277,854	196,000
1979	305,015	196,000
1980	376,178	196,000
1981	447,352	196,000
1982	498,184	196,000

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[19] This refers to the portion of delegates staying in San Francisco hotels.

[20] This represents the average number of days in San Francisco per visit per convention party. (See also, footnote 22.)

[21] This represents the average size of a party.

[22] A closer look at the Convention and Visitors Bureau study reveals that 5.02 is the average number of days convention-goers stayed in San Francisco and that 4.59 is the correct figure for the number of nights. Since we believe that hotel rooms are generally let for nighttime use we have substituted 4.59 for 5.02.

From this we get very easily the rooms per day sold by dividing by 365.

New Rooms Need

Year	EIR	Ours
1977	637	546
1978	759	546
1979	836	546
1980	1,031	546
1981	1,226	546
1982	1,364	546

The "rooms per day" sold will be useful later when we compute property tax revenues and hotel employment due to YBC.

Now, to compute marginal YBC delegate expenditures on hotel rooms, we multiply "annual room-days" by the cost of an average hotel room. To compute this average the EIR used the algorithm:

$$\text{Average hotel room price in 1970} = \frac{(360.22)(.328)}{1.58} \times \frac{1}{5.02} = \$14.90$$

It is incorrect, however, for it gives a figure for the average cost for lodging per day per convention-goer, instead of just the average cost per room per day. The authors, in other words, should never have divided by 1.58 in their algorithm. We can see that they sensed this in the footnote at the bottom of Table A-52 where they refused to believe their own computations and arbitrarily arrived at the figure $17.00 per room-day.

If we do their algorithm correctly we get: 1970 = $23.60 per hotel room per day. However, we feel this is not accurate either. The authors of the San Francisco Convention and Visitors Bureau study, on page 23, report the findings of a survey they did in 1970 of hotel room rates. This was $12.19 for lodging per visitor per day. This compares with the Convention Bureau's figure of $14.90. Now, if we multiply $12.19 by 1.58 we will get the average price per room, or $19.20. This, therefore, is the figure we will use, inflating it at four percent per annum.

Thus, marginal YBC delegates' expenditures on San Francisco hotel rooms equal:

$$1977 = (196{,}000)(19.20)(1.32)$$

Marginal YBC Delegates' Expenditures
on San Francisco Hotel Rooms
(in millions of dollars)

Year	EIR	Ours
1977	5.212	4.95
1978	6.450	5.15
1979	7.380	5.33
1980	9.480	5.55
1981	11.720	5.70
1982	13.550	6.00

1. Hotel Job Impact. This, then, would be YBC's impact on hotel gross income. This in turn would have an impact on hotel employment as portrayed by the EIR in Table A-53. Hotel employment is based on the number of hotel rooms to be serviced. The EIR tells us that URS did a survey of 20 major hotels and determined that there are on the average .7 employees per room. We will accept this, but we should note that the use of this figure through 1982 assumes that there will be no developments which make the service of hotels more efficient.

We should now refer back to our corrected version of the number of rooms per day attributable to YBC. This was 546 rooms. However, before we begin to make any calculation of new employment we should remember that one of the arguments made in favor of YBC and convention trade in general[23] is that conventions tend to compliment the city's normal tourist trade. That is, conventions tend to occur in the winter and early spring months when tourist trade does not. Thus, convention-goers are said to

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[23] See page III-2 in the EIR.

fill hotel rooms in the winter that would otherwise go vacant. If one makes this argument about the leveling effect of YBC-enhanced convention trade, one can hardly turn around and say that the new convention-goers coming to San Francisco as a result of YBC are going to require new hotel rooms. Similarly, one can hardly argue that there will be new employment, too. In this light we feel that not all of the 546 average rooms sold per day to YBC marginal delegates can be considered new. In fact, we think it would be reasonable to assume that none of them are new. Just the same, we have allotted half of the YBC delegate room demand to new rooms. This, we think, will account for the marginal new employment that a more stable, i.e., less seasonal, hotel industry will result in.

This is not as arbitrary as it may sound, for if we look at the hotel rooms that existed in 1966, 1967, 1968, and 1969, none of which could be said to have been built in anticipation of YBC since there was no addition of new hotel rooms to San Francisco's stock from 1964 to 1970,* we see that the vacancy rate in the winter months is sufficient to house the entire room-day demand of marginal YBC delegates. If we just take the difference between the occupancy rate in November, December, January, February, and March, and the average annual rate for each of the four years, we find that there are enough room-days available (an average of 90,500 for the four years) to take care of 46 percent of YBC's marginal room-day demand. If we were to consider the difference between the occupancy rate during these months and, say, the average rate in August, which is around 96 percent, we see that even during 1968, the most heavily booked year for hotel rooms, there were enough room-days to house

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*EIR, Table A15.

95 percent of YBC's marginal demand. In other years the supply goes as high as 143 percent. In this light, to say that half of YBC's marginal room-day demand has resulted in the construction of new hotel rooms is extremely generous.

New Hotel Employment Attributable to the YBC Exhibition Hall

Years	Daily Rooms Sold	Rooms Attributable To YBC		Employees	
		EIR	Ours	EIR	Ours
1977	546	849	273	594	191
1978	546	987	273	691	191
1979	546	1,087	273	761	191
1980	546	1,340	273	938	191
1981	546	1,594	273	1,116	191
1982	546	1,773	273	1,241	191

According to County Business Patterns[24] the average hotel service worker made $4,515 in 1971.

E. IMPACT ON THE RETAIL INDUSTRY

Table A-54 presents the EIR's results in computing new retail trade and retail employment attributable to YBC's marginal delegates. This computation has been accomplished by multiplying total expenditures of the marginal delegates by .144, the portion of the average convention-goer's budget spent in retail stores.*

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[24] 1971, SIC Code 70, page 122.

*Convention and Visitor Bureau Study, Part I, 1971, Appendix B.

However, if we actually look at the EIR's algorithm we see it is:

$$\left(\begin{array}{l}\text{TOTAL EXPENDITURES OF YBC MARGINAL}\\ \text{DELEGATES STAYING IN SAN FRANCISCO}\end{array}\right) \times (.144) = \begin{array}{l}\text{YBC DELEGATE EXPENDITURES IN}\\ \text{SAN FRANCISCO RETAIL STORES}\end{array}$$

instead of:

$$\left(\begin{array}{l}\text{TOTAL EXPENDITURES OF}\\ \text{YBC MARGINAL DELEGATES}\end{array}\right) \times (.144) = \begin{array}{l}\text{YBC DELEGATE EXPENDITURES IN}\\ \text{SAN FRANCISCO RETAIL STORES}\end{array}$$

as it should be. The EIR, in other words, has perpetuated the mistake they made computing TOTAL EXPENDITURES OF YBC MARGINAL DELEGATES. As we have already seen, their figure only represents the portion of expenditures made by marginal delegates staying in San Francisco hotels.

To get the expenditures in retail stores of all marginal delegates we have used the following algorithm:

$$\left(\begin{array}{l}\text{TOTAL EXPENDI-}\\ \text{TURES OF YBC}\\ \text{DELEGATES STAYING}\\ \text{IN SAN FRANCISCO}\end{array}\right) \times (.144) + \left(\begin{array}{l}\text{EXPENDITURES}\\ \text{IN SAN FRANCISCO}\\ \text{OF THOSE STAYING}\\ \text{OUTSIDE SAN FRAN-}\\ \text{CISCO HOTELS}\end{array}\right) \times (.144) = \left(\begin{array}{l}\text{YBC MARGINAL}\\ \text{DELEGATE EX-}\\ \text{PENDITURES IN}\\ \text{RETAIL STORES}\end{array}\right)$$

Therefore:

Retail Store Sales Due to YBC Marginal Delegates

Year	EIR	Ours
1977	$3.17 million	$3.54 million
1978	3.92 "	3.67 "
1979	4.89 "	3.82 "
1980	5.76 "	3.98 "
1981	7.12 "	4.12 "
1982	8.24 "	4.30 "

1. Retail Industry Job Impact. Accepting the Urban Land Institute's figures cited in the EIR, showing that $65.00 in sales in 1969 required one square feet of "gross leasable retail area," and inflating this at four percent per annum, we can determine the "gross leasable area" required by the expenditures of marginal YBC delegates.

Gross Leasable Square Feet

Year	EIR	Ours
1977	40,065	44,750
1978	47,660	44,750
1979	50,416	44,750
1980	64,691	44,750
1981	76,956	44,750
1982	85,637	44,750

From the Urban Land Institute we can now learn that "gross leasable area" generally equals 80 percent of gross square feet. Then, also accepting the EIR assumption that there is one employee per 800 gross square feet of retail space, we can now compute the new retail employment attributable to marginal YBC delegates. The algorithm is:

$$1977 = \frac{44{,}750}{(.80)(800)} = 70$$

Retail Store Employment Due to YBC (Table A-54)

Year	EIR	Ours
1977	63	70
1978	75	70
1979	82	70
1980	101	70
1981	120	70
1982	134	70

F. IMPACT ON THE RESTAURANT INDUSTRY

Table A-55 of the EIR attempts to show the impact of marginal YBC delegates on San Francisco restaurant business. This projection, however, is grossly inflated. First, it assumes that all marginal YBC delegates will eat 2.5 meals per day in San Francisco restaurants during their average 5.02-day stay. This is in spite of the fact that, by the EIR's own assumption, 20 percent of YBC's marginal delegates will be staying outside San Francisco hotels. This means that they will be eating at least a portion of their meals in private residences or outside the city. Second, it assumes that the average meal price in 1970 (the date from which the EIR's figures here are inflated) was $7.40 per person. When one considers this includes breakfast and lunch one sees this figure is absurd even in San Francisco.

Just how inflated this figure is becomes evident if we compute annual restaurant revenues due to YBC delegates in a different way, but still using the EIR's figures. These are the EIR's own figures for total marginal delegate spending and a figure they set down on page V-A-44 for the portion of each delegate's budget spent in restaurants. In Table A-25 (page V-A-44) we learn that the average delegate spent 8.7 percent of his total expenditures on hotel and motel restaurants and 17.1 percent on other restaurants.[25] Multiplying this 25.8 percent by $22 million (the EIR's figure of total marginal YBC delegate expenditures in 1977;

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[25] The EIR actually got these figures from the Convention and Visitors Bureau Study, Part I, 1971, Appendix B.

see Table A-51)[26] we get \$5.7 million. This gives us the amount of restaurant expenditures of those staying in San Francisco hotels. For those staying outside San Francisco hotels:

$$1977 = \frac{(91{,}500^{27})(.20^{28})(360.22^{29})(.171^{30})(1.32^{31})}{1.58^{32}} = \$950{,}000$$

This computation quite generously assumes those delegates staying out of town are going to eat all their "other restaurant" meals in San Francisco. Even so, this only adds up to \$950,000 + \$5,700,000 = \$6,650,000 compared to the EIR's claim of \$11,181,000.

This formula, of course, uses figures we do not agree with. Therefore, in order to get a more accurate estimation of new restaurant revenues due to the YBC Exhibition Hall we should substitute in the appropriate places our corrected version of total expenditures of marginal YBC delegates staying both in and outside of San Francisco hotels.

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[26] It should be noted that where \$24 million appears as the 1977 figure for marginal delegate expenditures, \$22 million should appear. This is a typographical error on the part of the EIR.

[27] This is the EIR's figure for marginal delegates.

[28] This is the EIR's estimation of the portion of marginal delegates staying outside San Francisco hotels.

[29] This is the per party per visit expenditures by convention-goers.

[30] This is the portion of expenditures spent on "other restaurants."

[31] This is the four percent per annum compounded inflator.

[32] This is the average convention delegate party size.

1977 = (\$20,300,000[33])(.258) + (\$4,300,000[34])(.171) = \$5,990,000

New Restaurant Revenues Due to the YBC Exhibition Hall

Year	EIR	Ours
1977	\$11.18 million	\$5.99 million
1978	13.89 "	6.17 "
1979	15.89 "	6.45 "
1980	20.34 "	6.71 "
1981	25.17 "	6.96 "
1982	29.15 "	7.25 "

1. Restaurant Industry Job Impact. Assuming an average meal cost of about \$5.00 in 1970, and assuming as the EIR has that there will be one employee (waiter, clerk, busboy, etc.) per 100 meals served in a day, we can compute employment in restaurants due to marginal YBC delegates:

$$1977 = \frac{(\$5.99 \text{ million})}{(\$5.00)(1.32)} \times \frac{1}{365} \times \frac{1}{100} = 25 \text{ employees}$$

Thus:

Restaurant Jobs Due to YBC Exhibition Hall

Year	EIR	Ours
1977	31.5	25
1978	37.5	25
1979	41.3	25
1980	50.9	25
1981	66.5	25
1982	67.4	25

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[33] See page I-20.

[34] See page I-23.

In 1971 these jobs received an average income of $4,650 (SIC Code 58, County Business Patterns, 1971, page 121).

III. THE SPORTS ARENA

The Sports Arena is planned to be 322,200 square feet and will contain 14,500 permanent seats. In computing the Arena's economic and fiscal impact the EIR has made several assumptions about its projected number of use-days, average attendance per event, and the average price per ticket. In each case these assumptions seem unjustified.

1. Events Per Year. First, in regard to the number of use-days, the EIR assumes that the YBC facility will attract all the home games of the Warriors and the Seals even though neither team has indicated any intention of leaving their present home base at the Oakland Coliseum. (It is also interesting to note that in the feasibility studies done for the proposed San Jose Sports Arena it is claimed the Warriors and the Seals will move to San Jose.) Even if the two teams do come to YBC, this will amount to only 80 use-days. Yet the EIR, accepting the findings of a study done by the Madison Square Garden Corporation, projects 195 use-days for the arena. The difference, they claim, will be made up by ice shows, pro-wrestling matches, boxing matches, roller derby, and similar events. However, about this projection the EIR has this to say:

> Whether or not the Sports Arena can achieve the projected use-days and attendance in the Bay Area is debatable. Economics Research Associates evaluated the sports events held during a typical year in San Francisco. The total events total 177[35] days as shown in Table A-59.

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[35] Ninty-one of them are football and baseball played at Candlestick Park.

It goes on to say:

> The Oakland Coliseum had a total use-day year in 1968-1969 of 158 days. Basketball, ice hockey, and roller derby together represented 61 percent of the total use-days. Clearly if the proposed Yerba Buena Sports Arena is developed it will have considerable adverse economic impact not only on the Oakland Coliseum, but also on the Cow Palace and the Civic Auditorium. The spectator market is currently shared by the two above facilities; with Yerba Buena the market will be divided by three.

In light of the fact that present bookings in the Bay Area are hardly enough to keep the present facilities adequately utilized, it is absurd to think that there will be enough events to keep still another facility operating, not just at the same level but at a higher one. We should remember that San Jose now plans to build a sports arena too. In light of the stiff competition and the possibility that one or both the two teams expected to move from Oakland will not come to San Francisco, we think that 150 use-days is the maximum that can be expected. We think this an extremely generous figure. However, we should not forget that any YBC sports arena business is going to be at the expense of other Bay Area facilities. In the case of the Civic Auditorium and Kezar Stadium, run by the city, these losses must be considered a cost of the project.

2. Average Attendance. We also find the EIR's projection of 7,700 persons per event very high. This figure is also based on the Madison Square Garden Corporation Study. We checked with the Oakland Coliseum management and learned that their 12,000-seat arena had an average attendance of 5,500. From this same source we also learned that when the Seals were at the Cow Palace they had no better or worse attendance than

they have now. They said the team historically has had the same attendance of about 5,000 regardless of where it moved. Keeping this in mind, we feel a projection of 7,000 average attendance, instead of 7,700, very generously accounts for the YBC facility's slightly larger size, and advantageous location.

Having established the Arena's attendance per event and the number of use-days, we can compute annual attendance:

1978 = (150)(7,000) = 1,050,000

Incidently, we believe the EIR's assumption (footnote *, page V-A-96) of 1.3 percent per annum increased attraction for "spectator sports in the Bay Area induced by the Arena per se" is totally unjustified for the reasons we have stated above. The one percent per annum increase due to population growth that the EIR has figured into its computation of annual attendance is also unjustified in light of the fact that San Francisco population is declining and that of Marin, Alameda, and San Mateo, only marginally affecting the Arena, is leveling off.*

We can now revise Table A-57 and A-58 such that:

Annual Sport Arena Attendance
(thousands)

Year	EIR	Ours
1978	1,540	1,050
1979	1,580	1,050
1980	1,610	1,050
1981	1,650	1,050
1982	1,690	1,050

---

*EIR, Table A-1.

3. Average Ticket Price. Finally, the EIR's estimate of average ticket price in 1970 as $6.00 is definitely high. Our research into ticket prices at various facilities such as the Cow Palace and the Oakland Coliseum showed that they ranged from $3.00 to $6.00. Several arena managers we queried assured us that a projection of $4.50 per ticket in 1970 dollars would be more realistic for the YBC Arena. Inflating this at four percent per annum we can arrive at the average ticket price in 1977, 1978, and so on.

A. GROSS GATE

We can now calculate gross revenues on the basis of these new assumptions:

1978 = (1,050,000)($4.50)(1.37)

Gross Gate
(in millions)

Year	Revenues
1978	6.45
1979	6.70
1980	6.95
1981	7.25
1982	7.55

B. CONCESSION INCOME

We can also compute concession revenues. The EIR has projected an operating income to the city from rents on concessions of $393,800 1970 dollars. If we take the rent to be the standard 30 percent of gross, this figure assumes an expenditure of $.93 per person per event.[36] After

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[36] $\frac{\$393,800}{(7,700)(195)(.38)} = \$.93$

conferring with the management of the Oakland Coliseum we learned that $.50 was the very best a concessioner could expect. Accepting this as our per attendee concession sales figure and with our new figures for attendance we can arrive at gross annual concession income:

1978 = (1,050,000)(.50)(1.37)

Gross Concession Income

Year	Income
1978	$.720 million
1979	.745 "
1980	.775 "
1981	.810 "
1982	.840 "
1983	.875 "

C. JOBS DIRECTLY RELATED TO THE SPORTS ARENA

Employment attributed to the Sports Arena by the EIR is:

Permanent Staff	15	
Cleanup, Setup	32	Total=131
Concessions	84	
	131	

Considering that the EIR's attendance and use-day figures are high, there is justification to adjust the employment figures downwards. However, without knowing any concrete basis on which to do this, such as employee/attendance figures, we have decided to leave employment at the EIR levels.

D. IMPACT ON THE HOTEL INDUSTRY

In computing the number of hotel rooms attributable to Sports Arena attendance the EIR has assumed that one percent of those attending Arena events will stay in hotels or motels. They give no basis for this

assumption and indeed it seems rather high in light of the fact that neither the Seals nor the Warriors has a national or even regional following, or considering that pro-wrestling and roller derby would not appear to inspire many overnight trips. Nevertheless, having no other basis to go on we have accepted the EIR's seemingly arbitrary assumption. This would make 10,500 (that is, 1,050,000 x .01) overnight stays in hotel rooms.

In computing the number of permanent rooms required to house this demand the EIR has assumed that the average party size for sports arena visitors will be 1.58, or, in other words, exactly the same as convention-goers (footnote 2, Table A-58, page V-A-98). This clearly seems incorrect for the sports fan is definitely a different breed of visitor from the convention-goer. It seems much more plausible, therefore, to use the average party size figure for all visitor groups rather than just for convention-goers. This is 1.75 persons per party. Even this is probably low, considering sports events are usually large family affairs. Using it, nevertheless, we can construct the following algorithm:

$$1978 = \frac{10{,}500^{37}}{(365^{38})(1.75^{39})(.75^{40})} = 22 \text{ rooms}$$

Thus, we can correct column 3 of Table C-12 (in the fiscal section). It

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[37] This is room-days demanded.

[38] This is days of the year.

[39] This is the average party size.

[40] This is the average hotel occupancy rate.

should be noted here that using their own algorithm, $1973 = \frac{15,400}{(365)(1.58)(.75)}$, the EIR has miscalculated the number of rooms by an order of magnitude. Instead of 356 rooms attributable to the Sports Arena, they should have gotten 35.6. This is extremely significant and casts serious doubt on the credibility of the whole EIR, since a large portion of the revenues attributed to the project come from property taxes computed with this arithmetically incorrect figure.

Number of Permanent Hotel Rooms Attributable to the Sports Arena

Year	EIR Table C-12 col. 3	Ours
1978	356	22
1979	365	22
1980	372	22
1981	381	22
1982	391	22

1. Jobs. With the figure for hotel rooms we can now compute the number of hotel jobs:

$$1978 = (.7^{41})(22) = 15$$

as well as the income from these rooms:

$$1978 = \frac{(10,500)(\$19.20)(1.37)}{1.75} = \$158,000$$

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[41] See EIR page E-24.

Sports Arena Hotel Revenues

Year	EIR Table A-58, col. 4[42]	Ours
1978	$.227 million	$.158 million
1979	.240 "	.167 "
1980	.257 "	.171 "
1981	.274 "	.178 "
1982	.291 "	.185 "

Since much of the activities that will be filling the YBC Arena are events that would have taken place in the Bay Area anyway, it is difficult to know how many of the jobs and how much of the hotel revenue can be attributed to YBC itself. We will arbitrarily, but very generously, we think, attribute 75 percent of the jobs and revenues to YBC. Thus:

$$1978 \text{ jobs} = (.75)(15) = 11$$

and

$$1978 \text{ revenues} = (.75)(.158) = \$118,000$$

Marginal Impact

Year	Jobs	Revenues (millions)
1978	11	$.118
1979	11	.123
1980	11	.128
1981	11	.133
1982	11	.139

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[42] The mistake concerning the missed decimal point does not occur until Section C of the EIR on the fiscal impact of the project on local government.

V. IMPACT OF YBC'S APPAREL MART

In assessing the economic impact of the Apparel Mart the EIR has failed to make any specific projection of the demand for such a facility. Indeed, it has merely assumed, as in the case of the Exhibition Hall, that the facility will be used to capacity. However, this can hardly be considered a foregone conclusion in light of the stagnant state of the dry goods industry in San Francisco.*

Since demand is the elemental consideration in computing the economic impacts of the facility, the EIR's casual assumption that a sufficient amount of it exists casts serious doubt on its projections of jobs, rents, and tax revenues generated. However, even overlooking this basic methodological flaw and assuming that there is sufficient demand for the facility, the EIR's determination of impacts is still incorrect.

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*A study done by the Bechtel Corp. for the S.F. Chamber of Commerce and the Retail Dry Goods Association in 1971 reported an eight percent decline in retail sales in the city since 1968. This was substantiated by the EIR's own figures (p.V-A-99). Even though the Apparel Mart's business will not be primarily retail, it will nevertheless be directly affected by San Francisco's depressed retail market.

IV. IMPACT OF YBC'S RETAIL FACILITIES

The YBC plan as presently proposed promises 154,000 square feet of retail space located throughout the project in addition to 189,000 square feet of retail space in the Apparel Mart. This makes a total of 343,000 square feet.

As for the economic impact of this space we should quote from the EIR, page V-A-99:

> The economic impact of adding an additional 343,000 square feet of retail space to downtown San Francisco will, in the short run, aggravate an already depressed economic situation. As shown in Table A-17, taxable retail sales in San Francisco have experienced a comparatively slow rate of growth since 1970--a compounded average annual rate of 2.9 percent. When examined in real terms by taking a rate of inflation into account of 3.3 percent growth per annum, taxable retail sales in real terms have decreased by 1.6 percent per year on average since 1960. The impact of an additional 343,000 square feet of competitive retail space in a prime location to capture the exhibit delegate and sporting event spectator market quite likely would be an adverse impact to the currently marginal retail firms in downtown San Francisco.

As we see from page E-27, marginal YBC delegates are only going to give business to 56,000 square feet (44,750 sq. ft./.80) of retail space. Also, sports event attendees are classically not retail shoppers. In this light YBC represents an addition of about 260,000 square feet of retail space in a market which is already unable to support the present facilities.

1. Impact on Jobs. In terms of jobs the EIR has made a projection which we feel greatly exaggerates the amount of employment the Apparel Mart will create. It claims in Table A-39 that the new facility (privately developed) will create 1,338 jobs. However, the procedure they outline for arriving at this figure produces nowhere near the same number. They say that we can assume that there will be one employee per 1,000 gross square feet. They also say that the new facility will be four times as large as the present facilities at 821 Market and the Sheraton Palace and therefore 75 percent of the new facilities' employment can be considered new or attributable to the YBC project. On page V-A-52 we learn that the new Apparel Mart will have 1,086,000 square feet gross. This means it will have 1,086 employees. Seventy-five percent of this is 815, or quite a bit less than the 1,338 that the EIR sets forth.

However, even this overestimates the employment attributable to the Mart, for on page III-9 the EIR admits that if the YBC facility were not built, one about half as large would be built elsewhere. This indicates, then, that the net increase in employment from the YBC Mart is equal to all the workers that will eventually be employed in the new Mart, minus the sum of those workers who would be employed in a mart half as large that would be built anyway if the YBC Mart were not and the workers presently employed in the existing facilities that would surely close down if YBC is completed. In other words, if there is sufficient demand to support a mart the size of the one proposed for YBC, there is also sufficient demand to support a new apparel mart half as large as the one proposed, as well as the existing facilities. Therefore, we should

take only one-fourth of the number of workers working in the planned Apparel Mart as net new employees. The number of new workers attributable to the YBC Mart, then, is (1/4)(1,086) = 272 workers.

Even this is high, since it assumes that the new Mart will be used to capacity. We have to date no indication that there is a demand for such a facility. It also assumes that there are no economies of scale in the new Mart. In other words, in most industries, like apparel trade, fewer workers are needed per unit of space as more space is added on. For instance, an identical duplication of management is usually not required for a two- or four-fold expansion of facilities. This would seem to be true of the YBC Apparel Mart, too. However, the EIR has assumed a linear expansion of employment.

Nevertheless, for our purposes we are going to accept the figure of 272 new jobs attributable to the Apparel Mart. Footnote 9 on Table A-65 indicates that maintenance is not included in this figure (in the assumption of one employee per 1,000 square feet) and that an additional 20 percent should be added. Thus, the total comes to 326 employees.

2. Impact on the Hotel Industry. In the fiscal section of the EIR, Table C-12 makes the claim that the Apparel Mart will have an impact on the San Francisco hotel industry. In footnote ** of Table C-12, page V-V-C-26, the EIR makes the assumption that the Apparel Mart will generate a demand of 1,500 room-days per week. This means that

$$\frac{(52)(1{,}500)(1.75)}{4.59} = 30{,}000 \text{ visitors}$$

per year to San Francisco can be attributed to the Apparel Mart. Nowhere is it explained how this figure has been arrived at. We, however, have

no information on which to base an alternative projection. Therefore, with extreme hesitation we accept the EIR's projection even though it seems they have again pulled it out of the air. Thus, using the algorithm 1,500/(7)(.75), which assumes a 75 percent occupancy rate for hotel rooms, the EIR has predicted a demand for 280 hotel rooms due to the Apparel Mart.

Looking again at column 4 of Table C-12 we see that the EIR has attributed all of this demand to the YBC project even though in computing employment due to the Mart (Table A-39, footnote *) they said only 75 percent should be considered attributable.

In any event, we have already determined, as per our discussion on page E-37, that only 25 percent of Apparel Mart-generated employment and revenues can be considered marginally attributable to YBC. Therefore, hotel rooms, hotel room employment, and hotel revenues resulting from the Apparel Mart must be multiplied by .25.

Hotel Impacts Attributable to YBC

Year	Rooms (.25)(280)	Employment (.25)(.7)(280)	Revenues (.25)(1,500)(52)(19.20)(1.37)
1978	70	49	$.510 million
1979	70	49	.530 "
1980	70	49	.550 "
1981	70	49	.580 "
1982	70	49	.600 "

VI. TOTAL TEMPORARY JOB IMPACT OF YBC

In Table A-36 the EIR has computed the total number of man-years needed to construct the public and private structures in the YBC D-1

area. They have done this on the basis of three assumptions: first, that on-site labor comprises 52.5 percent of the on-site construction costs and off-site labor 10 percent; second, that the average on-site wage was $12,676 in 1971 and the off-site wage $11,980; and third, that these wages would rise at 8 percent per annum. Their computations, based on these assumptions estimated that 15,862 man-years of labor would be required. They said that since 8,341 of these man-years were required to build office buildings which would have been built elsewhere anyway, only 7,521 man-years could be attributed to the YBC project itself.

We feel that the EIR's computations here are basically sound, although the 52.5 percent figure for labor costs probably could stand further research. However, we do disagree with the EIR's concept of what portion of YBC's temporary labor demand is attributable to the project. To explain this we should look at each type of structure to be built under the proposed plan and indicate why it is or is not attributable.

First, we have agreed with the EIR that the construction of the so-called "public facilities" is directly attributable. This amounts to 4,550 man-years using the EIR's same method of computation.[43] The "public facilities" include the Exhibition Hall, the Sports Arena, the Parking Garage, the Central Concourse, the Heating and Cooling Plant, and certain utility relocation.

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[43] $\frac{(\$110 \text{ million})(.525)}{12,676} = 4,550$. Here, $110 million is the cost of the "public facilities" in 1971 dollars.

Second, we have not assumed, as the EIR has, that the construction of the Apparel Mart is attributable in its entirety. This is because if the YBC Mart were not built, a mart about half as large would be built elsewhere. This means that only 50 percent of the man-years required here can be considered marginal. This amounts to 526 man-years.

Third, we have disagreed with the EIR in their assumption that all the construction man-years required to build the 343,000 square feet of retail space is marginally attributable to the project. Incidently, this assumption is inconsistent with the EIR's assumptions for computing property tax from the retail facilities where they include only that portion of retail space that goes to meet the demand created by the project's other marginal facilities. We feel this is the guideline that should be used in computing jobs as well. We have already determined that the net YBC demand for retail space will be 56,000 gross square feet. This is 16.3 percent of the total. Using this as the attributable portion of construction jobs needed for the retail space, we get 34 man-years.

Fourth, we have assumed along with the EIR that 100 percent of "other development" is attributable. This is because the EIR has failed to explain what this $24 million, 922 man-year item is. Therefore, we have no basis to make any sort of judgment.

Fifth, we strongly disagree with the EIR's assumption that the office space planned for YBC would be constructed anyway, without the project. We feel, in fact, that it is the primary purpose of those pushing the YBC plan not to clear slums, not to encourage convention trade, but, as an early piece of promotional literature put it, to "overcome

the Market Street barrier and link the [South of Market] area with the downtown retail and financial districts." This is to say its purpose is to subsidize the expansion of the downtown highrise district into new areas of the city by meand of Redevelopment Agency land write-downs and the creation of a financially risk-free environment South of Market. In this light, the office buildings to be put up in the project area are very much the result of the whole YBC scheme. To be sure a certain amount of the space would have been built anyway. However, we believe that most of it would not. Directly below we discuss exactly what portion we feel is attributable, and why. For the purposes of our computation here, however, we will merely take the result of that discussion which says that 56.5 percent of YBC's office space is marginally attributable to the project. Using this proportion to determine YBC's share of the office building construction jobs we get 4,700 man-years.

Sixth, we have not deemed the Trade Center, the Airline Terminal, or the Theater attributable, while the EIR has. The EIR's position here is once again inconsistent. For the purpose of figuring construction jobs attributable to the project they have included these facilities, but for computing property taxes they have not. Our reasoning is that these facilities would be built without the project anyway.

Thus, the total number of construction man-years marginally attributable to the YBC project is 10,732.

1. Effect on San Francisco Employment. On page V-A-71 the EIR predicts that the demand for construction jobs will draw heavily from unemployed manpower in San Francisco. We believe this is not so--that YBC jobs will go neither to San Franciscans nor to the unemployed. To

corroborate this we should note that according to the 1970 Census there were 19,900 construction jobs in the city and at the same time only 10,460 people living in the city and listing themselves as employed in the construction trades. Since it is highly likely that not all of these were actively seeking employment in the hiring halls we think it is safe to say that only 35 percent of San Francisco's construction jobs went to San Franciscans. Therefore, the possibility of new construction jobs going to city-dwellers seems remote. Furthermore, where new temporary jobs are created, as in a project like YBC, it is highly unlikely that they will go to the hard-core unemployed. This is because hiring hall procedures in the construction unions require that existing journeymen be fully employed before any new apprentices are taken on. In light of the fact that the construction boom of the 1960s has created a surplus of journeymen, there is little likelyhood of new apprentices being recruited.

It also should be noted that, notwithstanding the proposed $3.7 million "minority training program," few new minority members will ever find jobs in the construction trades as a result of YBC. An extensive visual survey done by the Wells Fargo Bank Economic Research Department in 1970 ascertained that less than ten percent of the construction workers are minorities. With the surplus of construction journeymen and the existing union hiring hall procedures it will be impossible for minority people to get work even if they are trained. YBC will, therefore, have little or no effect in changing the lopsided ratio of minorities to whites in the construction trades, or in alleviating the condition where a large portion of the city's minority population is permanently unemployed.

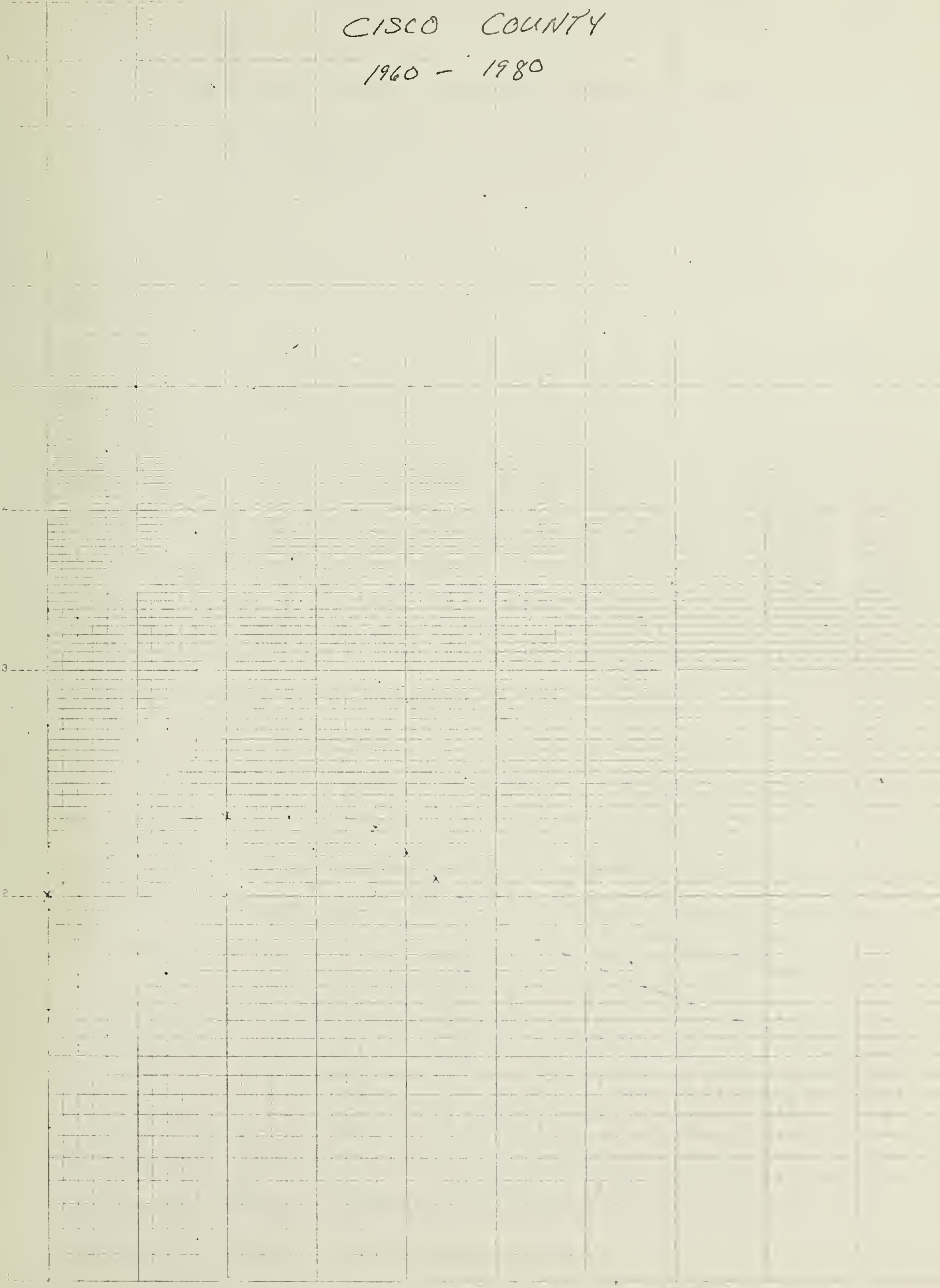
In this regard, we should also mention briefly the various proposals, proffered by proponents of the project, to require by means of a city ordinance the hiring of minorities in YBC's construction jobs. Such regulations already exist as conditions to HUD grants-in-aid and are operative wherever HUD money is used. They have, however, proved to be ineffective because they conflict with the union hiring hall procedures and the specific state and federal legislation which legitimizes them. The powers that be, not willing to confront organized labor in a way that throwing out or suspending these procedures would entail have satisfied themselves by passing vague policy statements or unimplementable guidelines that ultimately serve as no more than tokens.

The people who actually do benefit from the creation of temporary construction jobs by YBC are those who already have them. What will happen is that these people will get the opportunity to work more time and consequently make more money. Thus, where a journeyman in 1972 made $13,690 for 37 weeks on the job, he might now be able to work 45 weeks and make $16,600 (in 1972 dollars). More likely, however, the YBC construction work demand will merely serve to maintain the average journeyman's work time at the present level or a little lower, thus saving him temporarily from a cut back in work time that ordinarily would be taking place in the present declining construction market.

As we have already seen, these existing construction workers are predominantly white and predominantly not citizens of San Francisco.

2. The Negative Accelerator. The proposed YBC project, by maintaining a high level of construction spending over a short period of

CONSTRUCTION JOBS IN SAN FRAN-
CISCO COUNTY
1960 - 1980



Semi-Logarith
Cycle x 60 Div

time, poses the threat of having a very severe negative accelerator effect on the San Francisco economy. It is generally recognized that we are now experiencing a gradual decline in construction investment from the peak years of the 1960s. This is quite clearly reflected in construction employment statistics for San Francisco, the San Francisco SMSA, and the nine Bay Area counties. Looking at the latter we see that from 1965 to 1971 there is a drop of 11.5 percent. For San Francisco alone the drop from the 1969 level is 109.* Now looking at YBC's impact on this declining market we know that it will add approximately 1,250 jobs a year from 1974 to 1982, or about eight to ten percent to the yearly San Francisco demand. This will have the effect of slowing down or stopping the construction decline in San Francisco. However, this will only be temporary. Once YBC is finished, construction will drop off precipitously to the level it would have been had YBC not been built. However, the net effect on employment and the local economy will be worse than if the decline had occurred only gradually.

This is because of a phenomenon economists call the accelerator. (The accelerator and the multiplier work together.) The accelerator tells us that we must have a steady stream of investment to maintain a consistent level of employment. Any rapid increase will cause income and employment to rise quickly. Any decrease in investment, even if it is positive, will cause employment to shoot down. Even though we are in a steadily declining situation the principle still works. YBC's construction jobs represent a sudden bulge in employment relative to the current trend. As long as the bulge is maintained construction income relative to the trend shoots up, or, in real terms, it stays about level. Once the bulge is over, however, employment and income drop rapidly and due to the accelerator effect go way below the

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curve of the original downward trend. This could have a severe effect on the local economy, possibly contributing to a recession. Thus, by temporarily attempting to bolster a construction boom that has waned, the YBC project very dangerously postpones a day of reckoning for the local economy. According to the accelerator effect the longer this postponement takes place the more serious the consequences.

VII. TOTAL PERMANENT JOB IMPACT OF YBC

1. Jobs Directly Attributable to "Marginal"[44] Facilities. Now, in order to get total jobs attributable to the YBC project we should reconstruct Tables A-39 (Net Employment on Site Added to San Francisco Economy) and A-60 (Direct New Employment Attributable to YBC Normal Operating Phase).

A-39. Net On Site by 1982

	EIR	Ours
Exhibition Hall	281	281
Sports Arena	131	131
Concourse	5	5
Heating and Cooling Plant	6	6
Apparel Mart	1,338	326
Airline Terminal	40	40
	1,801	789

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[44] This means facilities that would not have been constructed had YBC not taken place.

A-60. Direct New Employment Attributable to the Project

	EIR	Ours
On-Site Facilities	1,801	789
Hotel Industry	1,268	262
Restaurant Industry	67	25
Retail Industry	134	70
Other[45]	367	201
	3,637	1,347

2. Office Jobs. The EIR has also shown that the 6.9 x 10^6 square feet of privately developed office space in both the periferal area and the Central Blocks will provide space for 33,065 white collar office jobs. This is based on the assumption of 200 square feet per employee. The EIR has said these jobs are not attributable to the project because the office space development and the subsequent jobs would have occurred anyway as a result of natural demand.

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[45] This is based on one employee per $30,000 expenditures on things like local transportation, sight-seeing, entertainment, and automobile expenses. According to the EIR Table A-25 and Appendix B of the Convention and Visitors Bureau study this amounted to 30.8 percent of delegate expenditures. The algorithm for computing this would be:

$$1977\text{-}1982 = \frac{(30.8)(\$25.92 \times 10^6)}{(\$30{,}000)(1.32)} = 201$$

Employment in the Other Category

Year	EIR	Ours
1977	182	201
1978	207	201
1979	226	201
1980	279	201
1981	331	201
1982	367	201

We completely disagree with this. First of all, we do not believe as the EIR has that office space demand will continue at 1.1×10^6 square feet per year through 1982. The EIR itself states that the city's total capacity for office space is 28×10^6 square feet. From 1960-1972 $14.5 \times \text{ft.}^2$ square feet were constructed. If this is to continue, as the EIR assumes, and we add on another 11×10^6 square feet from 1972-1982, then 91 percent of the city's office space will be new in the 22 years preceding 1982. In this situation it is very difficult to believe that 91 percent of the people and organizations needing offices will be able to afford this type of high cost space. We have therefore arbitrarily lowered this projection saying that natural demand will only support 75 percent of the office space construction that the EIR projects. This comes to $(.75)(11 \times 10^6) = 8.25 \times 10^6$ square feet, or 825,000 square feet per year. Furthermore, we think that it is likely that citizen vigilence and responsible local government controls can and will curb this growth to 25 percent of what the market will bear. Hence, our actual projected growth of office space from 1972-1982 is:

$$.25(.75)(11 \times 10^6 \text{ ft.}^2) = 2{,}060{,}000 \text{ square feet}$$

Now, if we accept the EIR's assumption that YBC will absorb 78 percent of the growth of office space in the ten-year period, then we can see that only $(.78)(2.06 \times 10^6 \text{ ft.}^2) = 1.6 \times 10^6$ square feet would have been constructed without YBC.[46] Therefore, we think that it is

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[46] This does not assume that if YBC is not built 78 percent of the office growth will take place in the YBC area anyway. What we are saying is that if in the situation where YBC is built one assumes 78 percent of the office growth will take place in the area, then in the situation where YBC is not built one must use the same portion of the growth in office space for an accurate comparison of the two situations.

is quite obvious that much of the office space that is proposed for the YBC site is directly attributable to the project itself. The exact amount attributable is the difference between what the uncontrolled demand would have allowed to be built in the area, $(.78)(.75)(11 \times 10^6)$ and what would have been built under strict government and citizen controls in the absence of the YBC, $(.25)(.78)(.75)(11 \times 10^6)$.[47]

Thus, 3.883×10^6 square feet is the amount attributable. This amounts to 56.5 percent of the 6.9×10^6 square feet projected by the YBC plan. The major assumption in this algorithm is that, on the one hand, the YBC area would be an uncontrolled free zone for highrise construction if the project goes through, and that, on the other hand, the area would be controlled from the point of view of office construction if there were no project.

We think these are both relatively safe assumptions. To corroborate the first, YBC-enabling legislation (City Ordinance 98-66) rezones the area for almost unlimited office development. In regard to the second, city policy and citizen agitation is becoming a potent rein to highrise construction.

Now, with this figure for square feet of office space we can compute the number of white collar workers marginally attributable to YBC. Thus: $\frac{3,883,000}{200} = 19,500$.

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[47] Office space attributable to YBC equals $(.78)(.75)(11 \times 10^6)$ minus $(.25)(.78)(.75)(11 \times 10^6)$. (.78) is the portion of office space attributable to YBC. (.75) is our factor for reducing the EIR's growth rate. (11×10^6) is EIR's projected total ten-year growth. (.25) is the factor growth rate with government and citizen controls.

Since we are concerned about the affect of YBC on San Francisco we should determine how many of these jobs will go to San Franciscans. Looking at the 1970 U.S. Census figures we see that commuter employment increased steadily each year. In 1969, the latest year for which statistics are recorded, commuters accounted for 89 percent of new employment. Therefore, we can safely estimate that in 1982, 89 percent of the 19,500 office jobs attributable to YBC will go to commuters and 11 percent will go to San Francisco residents. This probably overestimates the amount to residents, since the trend will probably have gotten more lopsided by 1982. The 11 percent amounts to 2,140 jobs.[48]

3. Multiplier Effect. The EIR spent some space talking about the multiplier effect of the jobs provided by YBC. Although these jobs certainly do have such an effect we think this consideration is not really relevant since any jobs provided by any other use of the land would have a similar effect. In fact, this multiplier argument really works against YBC's economic feasibility, for the type of low-paying jobs that YBC will provide are likely to have a lower multiplier than the jobs that almost any other use for the land would provide. For instance, in 1963 a Redevelopment Agency survey conducted by Marybeth Branaman, revealed that the YBC area contained 723 businesses with 7,600

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[48] This ratio of 11 percent residents and 89 percent commuters for all new San Francisco jobs could also be applied to the 1,348 jobs directly connected with YBC facilities and activities as well. However, we have not done this for it is evident that the type of extremely low-paying jobs that the YBC facility and related hotel/restaurant new employment represent are almost always filled by low-income residents of the city.

jobs. These were not of the unskilled variety that are characteristic of the present YBC plan but were to a large degree skilled and semi-skilled. A strong argument can be made that the higher salaries such jobs bring do much more for the economic vitality of the city and therefore have a higher multiplier.

VIII. SUMMARY OF ECONOMIC IMPACTS

In summation we should say that the economic impact, in terms of permanent jobs, is 1,347 directly attributable to the activities that will result from the "public facilities" and the Apparel Mart. This includes 501 jobs that will result in the hotel, restaurant, and retail industries as a result of YBC-enhanced convention trade, apparel trade, and sports event attendance. In addition, the project will provide places of work for 2,140 San Franciscans in office buildings privately developed in the YBC area. In terms of temporary jobs the project can also be attributed with 10,732 man-years of construction.

These can be considered the positive economic impacts. However, as we have already mentioned, most of these have a very negative aspect.

First of all, the 1,347 permanent jobs directly associated with the project are at the low end of the economic pay scale--averaging about $4,500 to $5,000 per year in 1971 dollars. Therefore, far from alleviating the poverty cycle in the city, these types of jobs help to perpetuate it. They pay little and teach the employee no skill to help him advance along the socio-economic ladder. It should also be remembered that these 1,347 jobs replace 7,600 primarily skilled and semi-skilled jobs that used to be in the area. These, or course, were relatively high-paying.

Second, construction jobs, as we jave seen, go largely to people who live outside of the city. They also do not go to minorities or to unemployed people who need the jobs most. This is because membership of the construction unions is 90 percent white. We have already discussed the futility of legislating minority hiring into these jobs. The new construction jobs, therefore, hold no promise for alleviating unemployment in the city.

YBC construction also represents the artificial maintenance of a boom for which there is no longer a demand. Economists agree that such policies spell economic disaster for a point in the future when the artificial boom is no longer maintainable. We have already seen that any reduction in the rate of growth, even when there is still a net increase in production, will have a negative "accelerator" effect. It is exactly this sort of effect that YBC's temporary surge in construction will have on the San Francisco economy.

Third, YBC promises to actually hurt total visitor trade by adding to the total congestion of the city which all visitor groups in the 1970 Convention and Visitors Bureau survey chose as the thing they disliked most about San Francisco. It should be pointed out again that convention-goers make up only 25 percent of total visitor trade. It is very likely, then, that YBC will enhance convention trade (25 percent) only at the expense of tourist trade which makes up 53 percent of total visitor trade.

Fourth, the project promises a glut in the supply of retail facilities in the downtown area and in the San Francisco area as a whole. As we have seen, YBC plans to add on (page S-10, EIR):

retail shops and trade center -	343,000 sq. ft.
privately developed retail space in the periferal blocks	
(new)	113,880 " "
(rehab)	3,225 " "
	460,705 " "

Yet, the YBC project will only generate a need for 56,000 sq. ft. of this space. Retail trade in the rest of the city is already on the decline, so the chances of it being able to absorb profitably the rest of this space are dim.

Fifth, YBC promises a glut in S.F. office space. The new construction of office space (6.9 million sq. ft. proposed, and we believe only [.75][6.9 million sq. ft.] = 5.2 million sq. ft. would take place under any circumstances) will have an extremely adverse impact on the older office space in the city which is already suffering from a high vacancy rate.

Sixth, YBC will cause a glut of hotel rooms in San Francisco. Part of the private development of the Central Blocks is a 700 room hotel. However, total hotel room demand generated by the project will only be 360 rooms.

Apparel Mart	- 70
Sports Arena (.75)(22)	- 17
Exhibition Hall	-273
Total	360 rooms

This is in a hotel market where under the present conditions occupancy has declined from a high of 88% in 1968 to 70% in in 1972.

PART II: LOCAL GOVERNMENTAL FISCAL AND OPERATIONAL IMPACTS OF THE YBC PROJECT

In evaluating the fiscal impacts of the YBC project on the government of San Francisco and thereby the taxpayers of San Francisco, the EIR has correctly surmised that the financing plan for the project as set down in City Ordinance 86-72 and described in Table C-2, page V-C-6, is not synonymous with the project's revenues.

> The financing plan is based on methods chosen by the Redevelopment Agency for financing the public costs involved in the public facilities. While the financing plan is important in terms of proper governmental operation and financing methods, it does not determine the fiscal impact of the project. It involves questions of allocations of funds from various sources to finance the project, whereas the fiscal impact involves the effect of the project on total generated and costs incurred.

This is an important point and what it means is that we cannot put each line item of the financing plan on the credit side of our fiscal impact balance sheet. Instead, we must examine each source of income resulting from the project and determine whether it would have occurred without the project or not. When we do this we see that many of the items in the financing plan are not only not revenues, but are actually costs. This is the case, for instance, with the incremental property tax revenues. The act of sequestering these revenues from the project area in order to finance the so-called "public facilities" represents a distinct opportunity cost to the city rather than a revenue.

Although the EIR has recognized the distinction between the financing plan and the marginal fiscal benefits to the city, it has failed to recognize the difference between construction costs and real costs. This is manifested by the fact that the EIR has assumed that construction and some relocation costs are the only costs of the project. Completely absent from their cost benefit analysis is any indication of additional police or social service costs that will inevitably result; any debit

figure to account for the loss of business to Brooks Hall, Civic Auditorium, and Kezar Stadium; any cost for the increased air pollution that the EIR shows will take place; any cost to the city for handling the solid waste that the YBC project will generate (even though the EIR admits that the project will shorten the life of San Francisco's solid waste disposal area by six weeks); or any transportation costs to the city for the 17,360[49] new commuters that YBC will introduce to rush hour traffic. These are just some of the very real external costs directly resulting from the project that EIR has conveniently ignored in its analysis. Yet, to get a true picture of the project's fiscal impact on local government they must be taken into account.

In pursuing our analysis, here, we will begin by evaluating the impacts of the project which result in revenues to the city. In a section of the report which will be added later, we will examine the costs of the project to local government. These will include not only annual debt service charges on the construction of the project, but external costs to the city, such as opportunity costs of having various local taxes sequestered to finance the project, increased city services, and so on. Eventually we will compare the revenues and the costs to evaluate the net effect of the project. In the mean time, however, in the section on revenues which is completed herein, we will look to see if the revenues add up to equal just the debt service costs of constructing the project.

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[49] This is our figure. Theirs would be around 29,000 (.89 x 33,000).

I. SOURCES OF REVENUE

The EIR has identified eight sources of revenue to the city from the project:

1. Land rentals for YBC private sites;
2. Net income from the so-called "public facilities";
3. Facilities use tax;
4. Hotel tax;
5. Sales tax;
6. Property tax;
7. Gross receipts tax;
8. Value of non-cash credits.

A. PRIVATE SITE LAND RENTALS

In setting down the private site rentals in Table C-3, page V-C-10 the EIR has failed to explain completely what these rents are based on. Specifically, in the case of the rent for the Apparel Mart and the other retail facilities the EIR has failed to say what percentage of gross sales the rent is based on. It has also failed to make a projection of gross sales from which the percentage would be taken. We are just asked to believe that rent will achieve its contractual maximum by 1981. In light of the depressed retail business in San Francisco it is very hard to believe how this will take place. Nevertheless, without any specific information that might indicate real rent income from the Apparel Mart and other retail facilities we are forced grudgingly to accept the EIR's figures. However, in column 5, "retail rents," we will assume that retail sales will be level from 1978, except for four percent per annum inflation.

Thus:

Table C-3, Col. 5. Rental Income From Retail Facilities in YBC

	Retail		Total	
Year	EIR	Ours	EIR	Ours
1978	$45,000	$45,000	$335,400	$335,400
1979	52,000	46,700	397,500	392,200
1980	59,000	48,600	456,900	446,500
1981	66,000	50,500	515,500	500,000
1982	73,000	52,600	522,500	502,100
1983	80,000	52,600	529,500	502.100

B. NET OPERATING INCOME FROM PUBLIC FACILITIES

1. The Exhibition Hall. The EIR projects a break-even proposition on the Exhibition Hall. A close look at the studies on which this projection is made shows no comprehensive estimation of expenses. On this ground we think the EIR projection of net revenues should be rejected out of hand. In its place we should point out that of the several major city convention centers we queried, not one was making a profit over operating expenses.[50] The situation for these publically-owned centers seems to be that in order to remain competitive and attract conventions they must set their user fees at levels lower than that required to meet costs. As a result, they nearly all operate in the red. According to the management of Brooks Hall and the Civic Auditorium in San Francisco this facility has expenses of around $500,000 per year and income of about $270,000, yielding an average annual loss of over $200,000, even though these facilities are being used to capacity. The YBC Hall will be almost twice as large. There is no doubt in our minds that in order

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[50] McCormick place in Chicago, the nation's most active convention city, operates at a loss of $113,000.00 a year.

to be competitive, it too will have rates that will cause it to lose money. With this in mind, we have projected that the YBC Exhibition Hall will lose $300,000 per year in 1972 dollars. Thus:

Table C-8. YBC Net Income Over Operating Expenses

Year	EIR	Ours
1977	zero	-$365,000
1978	"	- 380,000
1979	"	- 395,000
1980	"	- 410,000
1981	"	- 427,000
1982	"	- 445,000
1983	"	- 463,000

2. The Sports Arena. On the basis of a number of erroneous assumptions which we discussed in the last section (p. I-36 thru I-39) the EIR projects gross gate revenues of $7,094,000 (column 4 of Table C-5, $709,400/.50) in 1978. We corrected these projections so that gross gate equalled $6,450,000 in 1978 and concessions $720,000 (p. I-40).

The EIR bases its projection of rent for Arena use on a figure of ten percent of gross gate. We feel this is unjustified since the Oakland Coliseum presently charges only eight percent rent to the Warriors and the Seals. Certainly if the YBC Arena is going to be at all successful in capturing the limited number of sports and other events in the Bay Area it is going to have to be competitive with the other facilities. In this light, we feel eight percent is the highest rent the Arena can expect. Thus, the rental income will be:

1978 = (.8)($6,450,000) = $515,000

Standard rent on concession facilities in a sports arena is 30 percent.[51] With this we can compute concession rental income:

$$1978 = (.30)(\$720{,}000) = \$216{,}000$$

Both the Madison Square Garden and the SHARP studies project large revenues due to "other" sources. Nowhere in the EIR are these "other" revenues identified, and, in light of the slight of hand that the authors have employed in other projections, we feel that this $157,000 might well be just padding. The EIR does, however, mention a possible $90,000 in television revenues on page V-C-15. Accepting this as a possible explanation of the "other" item, we have added $90,000 in 1972 dollars to our computation of total Arena revenues. We think we have swallowed a lot by doing this, however.

As for expenses the EIR states on page V-C-15 that $1,200 1972 dollars per event can be expected in clean-up and set-up costs, etc. We will accept this. Thus:

$$1978 \text{ per event expenses} = (150)(\$1{,}200)(1.26) = \$226{,}000$$

The EIR has also adopted the Madison Square Garden study's estimation of $395,000[52] in 1972 dollars for general staff and fixed expenses. We will do so as well. Therefore: 1978 fixed expenses = ($395,000)(1.26) = $500,000

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[51] This is according to Oakland Coliseum management.

[52] In Table C-5, column 4, $580,000 - ($950.00)(195) = $394,900. See EIR page V-A-15 in reference to ($950.00).

Therefore:

Sports Arena Operating Revenues

Year	Rent	Other	Concessions	Per Event Expenses	Fixed Expenses	Total	
						EIR	Ours
1978	$515,000	$113,000	$216,000	$226,000	$500,000	$772,000	$118,000
1979	536,000	119,000	224,000	237,000	520,000	803,000	122,000
1980	555,000	123,000	232,000	246,000	540,000	835,000	124,000
1981	580,000	128,000	243,000	255,000	560,000	868,000	136,000
1982	605,000	133,000	252,000	265,000	585,000	903,000	140,000
1983	630,000	139,000	264,000	276,000	610,000	939,000	147,000

3. The Parking Garage. The YBC plan as presently proposed calls for a 1,810-stall parking garage. 370 of these stalls, or approximately 20 percent would be for monthly rate parking and the rest, 1,440 stalls, would be for transient hourly rate parking.

Assuming that the garage can get $45.00 (1971 dollars) per month per stall for the monthly parking facilities and assuming full capacity, the EIR projects an income of $213,848 from the parking garage. It should be noted that this rate is substantially higher than the current market rate which ranges from $27.50 to $42.50. For the Fifth and Mission Garage which will be right across the street from the YBC Garage the rate in 1972 dollars is $27.50 per month.

To compute income from transient parking the EIR assumed an hourly rate of $.35 for the YBC garage even though the privately owned Fifth and Mission Garage gets only $.15. It assumed 2,600 use-hours per stall per year even though Fifth and Mission only gets 2,460. Multiplying (2,600)(1,440)($.35) they get a gross income from transient parking of

$1,310,400 per year. This works out to $910 per stall per year in 1971, which compares with $363 per stall per year at the Fifth and Mission Garage.

Supposedly these projections of revenues and expenses for the YBC Garage were taken from "Financial Operating Data" (Exhibit III to the Board of Supervisors) that the San Francisco Redevelopment Agency compiled on six downtown garages. However, in the case of transient stall revenues, which happens to be the biggest item in the EIR's projection, the EIR's figure of $910 surpasses the average figure of $755 by 20 percent. Even so, we should quickly point out that three of the six garages in the Redevelopment Agency's compilation are not justifiably compared with the proposed YBC facility by virtue of their superior locations.

The Portsmouth Square, Sutter-Stockton, and Ellis-O'Farrell parking garage locations combine three important business-generating factors which the YBC location just does not match. First, they are located in prime shopping areas. To be sure there will be shopping activity in the YBC project as a result of the Apparel Mart and the Trade Center, but this will in no way be comparable to the retail activity in the downtown and Portsmouth Square areas. Second, they are located in high density business areas. This is the one factor the YBC area may be able to match if the 6.9 million square feet of office space that is planned for the project is completed. This, however, will really only affect the demand for monthly stalls. Third, they are in prime tourist areas, Portsmouth Square near Chinatown, and Sutter-Stockton, Ellis-O'Farrell in the center of San Francisco's densest restaurant, hotel, and shopping area. The YBC

area, on the other hand, will not attract tourists (unless perhaps in the latter part of the decade an interest develops in white elephants). Admittedly, convention delegates will frequent the area, but they, by and large, do not drive cars and they make up only 18 percent of total visitors. Furthermore, their leisure hours will be spent like every other tourist's, in some other more interesting and scenic part of the city. YBC's stainless steel hofbraus, cement malls, and highrise canyons are just not the type of things people come to see or be in out of pleasure.

Even the Golden Gateway and Civic Center present better locations in terms of retail and tourist activity and therefore would logically command higher per stall revenues than a garage South of Market. We think, therefore, that the Fifth and Mission Garage represents the only comparable situation. For this reason we feel its per stall figures are the only ones justifiably employed in computing the YBC Garage's revenues and expenses.

In computing the event income from the YBC Parking Garage the EIR has assumed that two-thirds of the Garage's transient stall capacity will be used at each event in the Arena. This leads them to the conclusion that there will be 184,000 special event parkers per year--(.66)(1,440)(195). They also state, on page V-C-15, that the rate for special event parking will be $1.20 (1972 dollars). Multiplying $1.20 by 184,000 parkers we should get $220,000 as the gross income from special events, yet incredibly the EIR sets down $360,490. They then go on to say that this is probably a low figure.

The EIR is probably correct in saying that there will be demand sufficient to fill the 1,800 spaces in the proposed YBC Garage. The Fifth and Mission Garage now runs at nearly full capacity. The added activity in the area that the project will bring and the slight cutback in total on- and off-street parking spaces that will result in the project area itself after the Central Blocks are developed will probably ensure a sufficient number of cars to fill the YBC Garage. This demand is not impervious to price, however. In recent times we have seen that parking demand all over the city, and especially downtown, has been extremely sensitive to rate changes. According to the Chamber of Commerce, when the Board of Supervisors attached a 25 percent tax on parking charges in 1970, revenues at the downtown parking garages suffered greatly as did retail business in general.[53] In fall of 1971 and spring of 1972 the garage owners, retailers, and the Chamber of Commerce lobbied vigorously at City Hall to have this tax lowered. In late spring of 1972 the tax was dropped to ten percent. According to press accounts, parking revenues started to pick up appreciably shortly thereafter, as rates dropped and demand increased. It is therefore our feeling that there is only sufficient demand to fill the YBC Garage at the rates charged at the Fifth and Mission Garage, and that if the YBC Garage charges more than double these rates, as is presently planned, it will experience a comensurate drop-off in demand.

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[53] See San Francisco Chamber of Commerce Ad Hoc Committee on Downtown Retail District, Retail District Improvement Plan, 1971.

With this in mind we have recomputed the YBC Garage balance sheet. We have retained, however, the EIR's assumption that there is sufficient demand for monthly parking to fill the 370 proposed spaces even at the extremely high rate of $45 per month. We have also agreed that the Garage will operate at two-thirds capacity during Arena events at a rate of $1.20 per car per event. In accordance with what we said above, we have changed the assumptions governing the 1,440 stalls of transient parking. Here we feel that the most the YBC Garage can expect to make is the same $369 per stall per year (in 1971 dollars) that the Fifth and Mission Garage right next to it makes. This, then, assumes that the YBC stalls will be used 2,460 hours at a rate of $.15 per hour. If the YBC management insists on a $.35 rate, then use-hours per stall will diminish to 1,050 such that gross revenues remain the same.

Profits per stall for automotive products sold at the Garage will also be similar to those at the Fifth and Mission Garage. That is $26, not the EIR's arbitrarily inflated figure of $52.

We agree, then, with EIR that the yearly income from the monthly parking stalls will be $213,840. For transient parking income we must recompute using $369 as yearly revenues per stall. Therefore, 1972 = (1.04)(1,440)($369) = $552,000. For special event parking income we must recompute using our revised projection of yearly use-days at the Sports Arena. Therefore, 1972 = (.66)(150)(1,440)(1.20) = $175,000. For automotive sales we must recompute using $26 per stall. Therefore, 1972 = (1.04)(1,800)($26) = $49,000. For expenses we are obliged, in order to be consistent, to use the Fifth and Mission figure of $222 per stall

(taxes not included) instead of the EIR's $235. Therefore, 1972 = (1.04)(1,810)($222) = $417,500. Thus:

Revenues and Expenses for the Parking Garage
(1972 dollars)

	EIR (Table C-7)	Ours
Revenues		
Monthly	$ 213,840	$213,840
Transient	1,310,400	552,000
Special Events	360,490	175,000
Sales	92,880	49,000
Total	$1,977,610	$989,840
Expenses	423,000	417,500
Net	$1,554,610	$572,340

Parking Revenues
(inflated at 4% per annum)

Year	EIR	Ours
1977	$1,261,000	$464,000
1978	1,967,000	720,000
1979	2,046,000	755,000
1980	2,128,000	784,000
1981	2,213,000	812,000
1982	2,301,000	845,000
1983	2,394,000	858,000

Projected Income From Public Facilities (in thousands of dollars)
(Table C-3)

Year	Exhibit Hall		Parking Garage		Sports Arena		Total	
	EIR	Ours	EIR	Ours	EIR	Ours	EIR	Ours
1977	zero	-365	1,261	464	371		1,632	99
1978	"	-380	1,967	720	772	118	2,739	458
1979	"	-395	2,046	755	803	122	2,849	482
1980	"	-410	2,128	784	835	124	2,963	498
1981	"	-427	2,213	812	868	136	3,081	521
1982	"	-445	2,301	845	903	140	3,204	540
1983	"	-463	2,394	875	939	147	3,333	559

C. FACILITIES USE TAX

In the financial agreement with the city the Redevelopment Agency calls for a "facilities use tax" on the so-called "public facilities" in the project. What this is, is a tax of at least $.50 (1972 dollars) on each ticket sold at the Exhibition Hall and Sports Arena. Since these revenues would not occur without the project they may be considered as net project revenues.

To compute the use tax revenues from the Sports Arena the EIR has multiplied projected annual Arena attendance by $.50 and inflated this at four percent per annum. We agree with this methodology, but, of course, we have a revised figure for projected attendance that we arrived at in the economic section (page F-33). Thus:

1978 = (1,050,000 fans)($.50)(1.26) = $661,000

We should point out this is an exceedingly high tax and may significantly reduce attendance at the Arena below the 7,000 per event level that we have estimated.

To compute the annual attendance at the Exhibition Hall the EIR has accepted a projection made by the Madison Square Garden Corporation that the Exhibition Hall will have 33 use-days per year when attendance will be charged. They say each of these events will average 8,000 attendees. We have no reason to accept or reject this projection, even though we think it likely that attendance will be more in line with that at the Sports Arena than higher. We will therefore accept the EIR's computation of revenues in this item. Thus, reconstructing Table C-9 (page V-C-19):

Projected Revenues from Planned Facilities Use Tax
(in thousands of dollars inflated from $.50 = 1972 dollars at 4%)

Year	Arena		Exhibition Hall		Total	
	EIR	OURS	EIR	Ours	EIR	Ours
1978	900.3	661	167.0	167.0	1,067.3	828
1979	936.3	694	173.7	173.7	1,110.0	868
1980	937.7	720	180.7	180.7	1,154.4	901
1981	1,012.7	745	187.9	187.9	1,200.6	933
1982	1,053.2	775	195.4	195.4	1,248.6	970
1983	1,095.3	810	203.2	203.0	1,298.5	1,013

It should be noticed that in computing all impacts and revenues from the Sports Arena we have assumed no operation in 1977 for that facility. This is because according to the construction schedule the major part of the Sports Arena is to be built in 1976.[54] Delays that have

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[54] See EIR Table A-32.

already taken place and probable delays during construction make it extremely unlikely that the Sports Arena will be open any time in 1977.

D. HOTEL TAX

The EIR points out two different portions of total hotel tax receipts attributable to the YBC project. The first is the new tax received by the city as a result of the expenditures of marginal YBC delegates on hotel rooms--that is, the tax received from delegates who would not have come to San Francisco without YBC. This we are going to call the YBC marginal tax. The other portion of total hotel taxes attributed to YBC by the EIR is two percent of the total six percent tax. This is the increment by which the Board of Supervisors raised the hotel tax in 1967 especially for the purpose of providing revenue to construct YBC. Strictly speaking this should not be considered a revenue of YBC for if the ability to levy this tax exists then it could be applied to any one of a number of different uses. In the jargon of economics this tax is considered to have an "opportunity cost." However, it can also be argued that the political realities of San Francisco are such that the local hotel industry would never have allowed City Hall to make this tax hike had it not been earmarked for one of their own special purposes, in this case a convention center. We are forced to accept this argument, but only after pointing out that this "political reality" represents a substantial inequity in local government decision making, where the representatives of people are unable to raise a tax unless they earmark it for the special purposes of a special interest.

1. Marginal YBC Hotel Tax. To compute marginal YBC hotel tax, the EIR first added up hotel room expenditures from marginal YBC delegates, and revenues from hotel/motel rooms attributed to the normal activities of the Apparel Mart and the Sports Arena. For each of these items we have the corrected version that we arrived at in Part I (Table C-10):

Year	YBC Marginal Delegates (thousands)		Sports Arena (thousands $)		Apparel Mart (thousands $)	
	EIR	Ours	EIR	Ours	EIR	Ours
1977	5,212	4,950	713			
1978	6,450	5,150	227	158	1,679	510
1979	7,380	5,330	240	167	1,745	530
1980	9,480	5,550	257	171	1,814	550
1981	11,720	5,800	274	178	1,886	580
1982	13,550	6,013	291	185	1,960	600
1983	14,090	6,230	303	203	2,037	622

Second, they multiplied the sum of the hotel revenues by 5.5 percent. They used 5.5 percent instead of 6 percent because they said .5 percent of the tax had been earmarked for relocation of the project area's residents. Since relocation has not been calculated into the project's costs the EIR thought they would figure this expense by merely not counting the .5 percent as a revenue of the project. This methodology once again makes the assumption that this earmarked tax has no opportunity cost. Although not entirely satisfied with this approach we will go along.

Marginal YBC Hotel Tax Receipts

Year	Total Taxable		Tax	
	EIR	Ours	EIR	Ours
1977	5,425	4,950	288.4	272
1978	8,356	5,818	459.6	320
1979	9,365	6,027	515.1	330
1980	11,551	6,271	635.3	345
1981	13,880	6,458	763.4	355
1982	15,801	6,785	869.1	373
1983	16,430	7,055	907.7	386

2. Earmarked Hotel Tax. To project the revenues from the YBC earmarked portions of the hotel tax the EIR has assumed that hotel tax revenues will increase at two percent per annum after a four percent per annum inflation. The basis for this assumption is that the revenues from this tax increased at eight percent per annum from 1961-1970. They failed to mention, however, that this was primarily because the tax rate was raised from three percent to five percent during that period. If we adjust the figures from 1961 to 1967 so that they reflect a five percent tax rate instead of a three percent one and then adjust each of the figures in the ten-year period for inflation we find that there are two distinct growth rates during the period. The first is from 1961 through 1966 and represents a very rapid growth in revenues of ten percent per annum. However, in 1967 with the introduction of the five percent hotel tax the rate of growth was diminished so that from 1967 to 1970 it was only one percent. We do not have the figures for 1971-1972 and 1972-1973. However, the EIR informs us there has been no growth whatsoever. If one

then allows for inflation this means there has been an actual decline. Interestingly enough, during this period the hotel tax was again raised, this time from five percent to six percent. Thus, we have two periods where the tax was raised and the equalized growth in revenues fell off. The indication here is that the tax has an adverse effect on demand.

There is another factor which could adversely affect hotel room demand--that is, the increased congestion that YBC and other general development that is taking place in the downtown area will bring. From 1960 to 1972 14.5 million square feet of office space was constructed in San Francisco. With this has come 64,000 new commuters, most of them driving cars. For the future the YBC project promises 6.9 million square feet of new office building space to be ready by 1982. This would bring another 29,000 commuters by itself. Then, of course, there is the development that would take place in other areas downtown. As stated earlier we do not believe there is the demand for this sort of office expansion. Nevertheless, even with 75 percent of the growth anticipated and encouraged by the YBC project there will be a substantial negative effect on total visitor trade in San Francisco. We base this hypothesis on a survey done by the Convention and Visitors Bureau in 1970 of a sampling of all visitor groups (convention-goers, tourists, businessmen, and others) wherein they were asked what aspect of San Francisco they most liked and what aspect they most disliked.

Among the "likes," San Francisco's "atmosphere" ranked #2 after its restaurants. Among the "dislikes," "congestion" ranked #1.

Therefore, in light of the flat growth in hotel tax revenues in recent years, and the adverse effect on visitor trade that the continued "Manhattanization" of San Francisco will have, we think that the two percent per annum growth in YBC's portion of the hotel tax projected by the EIR is totally unjustified. We believe that the only justified projection is a flat rate of growth from the revenues received in 1970. These, of course, should be inflated at four percent per annum. Hence, our algorithm for computing these revenues will be:

$$1977 = (2/5)(\$3,892,000)(1.32)$$

YBC Earmarked Hotel Tax

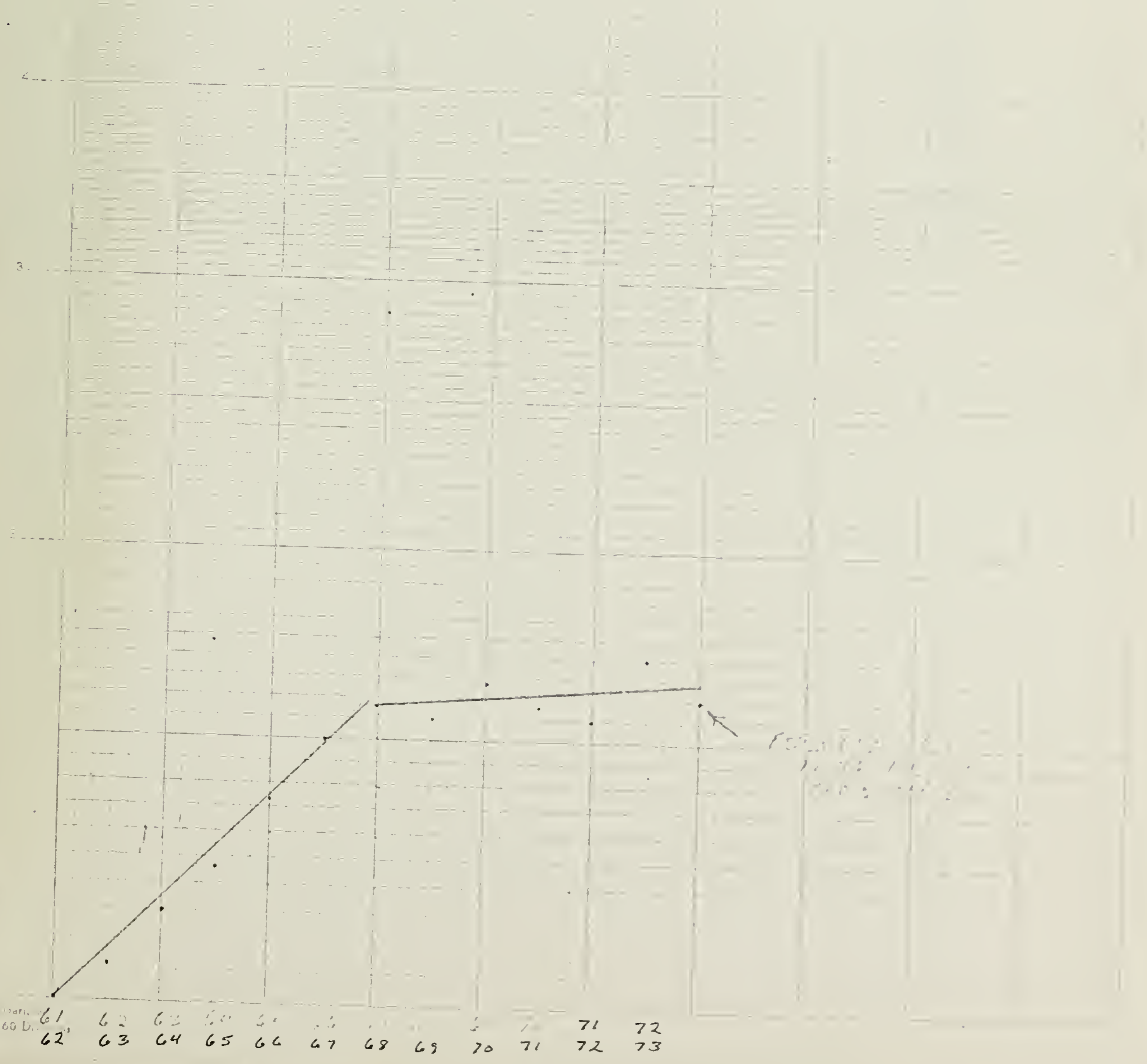
Year	EIR	Ours
1977	$1,867,000	$2,030,000
1978	1,905,000	2,130,000
1979	1,943,000	2,205,000
1980	1,982,000	2,300,000
1981	2,021,000	2,400,000
1982	2,061,000	2,500,000
1983	2,102,000	2,600,000

Our figures ironically end up being more than the EIR's simply because it appears they did not apply an inflation factor in their calculations. Thus, our figures are escalated at four percent while theirs at only two percent.

Graph 6

HOTEL TAX REVENUES EQUALIZED AT 5%
ADJUSTED FOR INFLATION AND TAKEN
AS A % OF 1961 REVENUES

1961 = $1.82 × 10⁶ 1957 dollars
FISCAL YEAR BEGINS ON JULY 1



(Footnote to Graph)

Years	Equalized Millions	1957 Dollars	Millions (corrected for inflation)
61-62	1.900	.960	1.82
62-63	2.040	.949	1.93
63-64	2.240	.937	2.10
64-65	2.460	.925	2.24
65-66	2.750	.910	2.50
66-67	3.100	.884	2.74
67-68	3.344	.860	2.88
68-69	3.538	.825	2.82
69-70	3.809	.782	2.98
70-71	3.861	.740	2.86
71-72	4.030	.700	2.82
72-73	4.705	.666	3.09
			2.90

Thus, total revenues to the project from the hotel tax is:

Hotel Tax Revenues to YBC

Year	EIR	Ours
1977	$2,165,000	$2,302,000
1978	2,365,000	2,405,000
1979	2,458,000	2,535,000
1980	2,617,000	2,645,000
1981	2,784,000	2,755,000
1982	2,930,000	2,873,000
1983	3,006,000	2,986,000

E. SALES TAX

Sales tax receipts to the city amount to 15.4 percent of the 6.5 percent sales tax, or one percent of total taxable sales. To compute the receipts attributable to the YBC project the EIR has identified four sources of taxable sales: "sales to marginal YBC delegates"; "sales outside the Arena to those attending Arena events"; "concession sales at the Arena"; and "sales to new business visitors to the Apparel Mart."

1. Marginal YBC Delegate Expenditures. To compute taxable sales from marginal YBC delegates the EIR has taken "projected new delegate expenditures" as set down in its Table A-54 and multiplied this by .507, the portion of total delegate expenditures subject to the sales tax according to the Convention and Visitors Bureau Study (Table A-25 in the EIR, and Appendix B in the Study).

Hotel/Motel Restaurants.......	8.7
Other Restaurants............	17.1
Retail Stores................	14.4
Entertainment................	10.5
	50.7%

We agree with the method here but, of course, have different figures from those in Table A-54 for marginal YBC expenditures.

Sales Taxable Marginal YBC Delegate Expenditures

Year	EIR (Table C-11)	Ours
1977	$11,154	$13,150
1978	13,795	13,620
1979	15,793	14,200
1980	20,260	14,750
1981	25,056	15,300
1982	29,016	16,000
1983	30,177	16,560

2. Expenditures of Arena Attendees Outside the Arena. In computing taxable sales outside the Arena attributable to the Arena, the EIR has assumed that 15 percent of those attending events at the Arena will dine out in the city and will spend $6.30 per meal. We have no way of checking these assumptions and, of course, the EIR makes no effort to explain the basis on which they were made. We will accept them, nevertheless. Our figures for Arena attendance vary from those of the EIR, of course (see page E-34-A). This will, therefore, make our figures for taxable sales different.

Taxable Sales to Arena Attendees Outside the Arena
1978 = (.15)(1,050,000)(6.30)(1.37)

Year	EIR	Ours
1977	$1,800,000	
1978	1,930,000	$1,355,000
1979	2,060,000	1,405,000
1980	2,180,000	1,465,000
1981	2,330,000	1,525,000
1982	2,470,000	1,585,000

3. Concession Sales. The EIR has computed Arena consession sales on the basis of $1,125,000 per year in 1972 dollars with a four percent inflation rate. We have already discussed how this is an exaggerated figure and recomputed concession sales on the basis of corrected assumptions. Thus:

Concession Sales at Arena

Year	EIR	Ours
1977	$1,369,000	
1978	1,423,000	$720,000
1979	1,479,000	745,000
1980	1,537,000	775,000
1981	1,598,000	810,000
1982	1,661,000	840,000

4. Taxable Sales Attributable to the Apparel Mart. To compute taxable sales from Apparel Mart visitors the EIR has assumed that the Mart will attract 78,000 visitor parties per year. This is consistent with the projection they made of a 1,500 weekly room demand attributable to the Mart (page V-C-26, Table C-12). Since we accepted this projection (page I-46) in computing the Apparel Mart's employment impact we will accept it again now. The EIR also assumes an expenditure of $21.65 per day in 1970 dollars on sales taxable items by visitors attributable to the Apparel Mart. This is consistent with the Convention and Visitors Bureau survey results concerning expenditures of business visitors (Table A-25). To get the total of Apparel Mart visitor expenditures, then, they figured (78,000)(21.65) = $1,689,000 and then escalated this at four percent per annum.

In doing this, however, they have once again assumed that all the Apparel Mart visitors are new. They have assumed that all of them would not have come to the city if the Apparel Mart were not built. This is in spite of the fact that there is already an apparel mart in San Francisco one-quarter the size of the proposed one which would surely close down once the new facility were constructed, and in spite of the fact that if the YBC Mart were not built, one at least half as large would be constructed elsewhere. As we discussed earlier (page I-45), we strongly believe that only 25 percent of the Apparel Mart generated sales, employment, etc. can be considered net or as an impact of the YBC project.

Thus, the corrected algorithm for computing taxable sales attributable to the YBC Apparel Mart is:

1978 = (.25)($1,689,000)(1.37)

It is also interesting to note that in Table C-11 that the EIR has included an entry for 1977 even though the Apparel Mart is not even going to be completed until 1978.

Apparel Mart Taxable Sales to New Business Visitors

Year	EIR (Table C-11)	Ours
1977	$2,000,000	
1978	2,079,000	578,000
1979	2,161,000	600,000
1980	2,246,000	625,000
1981	2,334,000	650,000
1982	2,426,000	675,000
1983	2,521,000	700,000

Total New Taxable Sales

Year	EIR (Table C-11)	Ours
1977	$16,323,000	$13,150,000
1978	17,427,000	16,273,000
1979	21,493,000	16,950,000
1980	26,223,000	17,615,000
1981	31,318,000	18,285,000
1982	35,573,000	19,100,000
1983	36,995,000	19,800,000

New Sales Tax

Year	EIR (Table C-11)	Ours
1977	$163,000	$132,000
1978	174,000	163,000
1979	215,000	170,000
1980	262,000	176,000
1981	313,000	183,000
1982	356,000	191,000
1983	367,000	198,000

F. PROPERTY TAX

The EIR identifies four major sources of new ad valorem tax revenues attributable to the YBC project:

1. Hotel construction resulting from the demand for rooms by marginal YBC delegates;
2. Property taxes on possessory interests in the "public facilities";
3. The Apparel Mart; and

4. New retail facilities resulting from the demand created by marginal YBC delegates.

The EIR makes a strong case for including property taxes from privately developed office space in the project area as revenues that would not happen if the project were not built. This is based not on the fact that YBC is going to create any sort of demand for office space, but "on the rationale that some of such space would never be demanded or constructed in San Francisco without its construction within an urban renewal project, due to otherwise infeasible costs of land acquisition and assembly."[55] We, in fact, interpret the primary underlying goal of the project as supplying a large local government subsidy for the expansion of the financial district into the South of Market area. Without the renewal program and without a local government that encourages the development of highrise office space at the expense of the residential portions of the community, further office development would not be economically viable in this city.

The EIR does not stick with their argument, however. They beg off computing property tax from YBC office space saying that to determine the marginally attributable portion accurately is impossible. Thus, they forego a formidable source of revenues to the project. However, had they decided to count the office space property tax as attributable, they would also have had to accept the congestion, the pollution, the noise, the social costs, and the general degradation of the physical

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[55] See EIR, page V-C-24.

environment that 6.9 million square feet of office space and its 29,000 new commuters would bring. Realizing these consequences to be serious, yet wishing to make the project seem viable, the authors of the EIR obviously decided to pass by the opportunity of logging up the office property tax revenues, and instead decided to disown all the environmentally disasterious effects of YBC as something that would take place anyway.

We, however, do think that a large portion of the office space is directly attributable to the project. Therefore, we also think tax revenue from this space is also attributable, as are the adverse impacts engendered in the type of government subsidized "Manhattanization" that this project represents. Therefore, to the EIR's four sources of property tax revenues we will add a fifth one, representing revenues coming from YBC's office space.

1. Hotel Construction. Hotel room construction attributable to marginal YBC delegate demand has already been computed and discussed in the economic section (page I-30). Hotel room demand attributable to the Sports Arena we discussed on page I-42. It should be noted again here that EIR's figures for Sports Arena attendee room demand using their own algorithm are miscalculated by a factor of ten. This to us seems an incredible mistake for a firm of Arthur D. Little's stature. Rooms attributable to the Apparel Mart are discussed on page I-47. Thus:

New Property Tax Revenues From Hotel Construction (thousands $)

Year	Marginal Delegate		Sports Arena		Apparel Mart		Total	
	EIR	Ours	EIR	Ours	EIR	Ours	EIR	Ours
1977	849	273	231		280		1,360	273
1978	1,012	273	356	22	280	70	1,648	365
1979	1,115	273	365	22	280	70	1,760	365
1980	1,373	273	372	22	280	70	2,025	365
1981	1,633	273	381	22	280	70	2,294	365
1982	1,813	273	391	22	280	70	2,484	365

In computing the market value for these rooms the EIR has assumed $27,574 (1977 dollars) per room in construction costs and an additional 20 percent in developmental costs, making a total of $33,000 per room. The EIR claims this is based on average cost gotten from six downtown hotels. We will accept this.

In computing assessed valuation the EIR has taken the statutory limit of 25 percent of market value and used this as their working multiplier. Although legally this is the correct figure, in actual practice assessed value tends to be somewhat less than 25 percent. In 1972 the Henry George School conducted what they called a "sales-ratio study of the San Francisco Assessment Roll." In it they examined transactions on 3,691 pieces of property in the city. Noting the actual sale prices of these prop ties, they were able to establish definitively what percentage of market value land was _actually_ assessed at. The results showed that the county-wide average for assessed valuation is 20.1 percent.

Therefore, it is this _de facto_ figure we will use in computing property tax revenues.

Assessed Valuation
(1977 = (273)(.201)($33,000)

Year	EIR	Ours
1977	$11,250,000	$1,810,000
1978	13,632,000	2,520,000
1979	14,559,000	2,620,000
1980	16,751,000	2,710,000
1981	18,976,000	2,840,000
1982	20,548,000	2,950,000
1983	20,548,000	3,080,000

It should be noted here that we have inflated at four percent while the EIR has not. It is not exactly clear why they have not done so, although it may be because the assessor is usually very slow in catching up with increases in valuation.

Property Taxes Resulting From Hotel Room Construction
($12.59 rate)

Year	EIR (Table C-12)	Ours
1977	$1,416,400	$228,000
1978	1,716,000	317,000
1979	1,833,000	329,000
1980	2,109,000	341,000
1981	2,389,000	358,000
1982	2,587,000	372,000
1983	2,587,000	388,000

2. Possessory Interest. This is a tax on those holding long-term leases from the city for use of public facilities. In the case of YBC this will be collected from the sports teams using the Arena and from the concessionaires. In computing this the EIR has taken the rent

of each leasee and capitalized it by multiplying by 2.5. The tax then is arrived at by multiplying this "assessed valuation" by the tax rate .1259.

The rents of the sports teams and the concessionaires are based on gross income as we have already seen. In the case of sports teams the EIR has estimated the rent to be ten percent. On page II-5 we explained our dissatisfaction with this figure and said that eight percent is a more realistic projection. For concessionaire rent the EIR did not state what percentage of gross income their rent projections were based on. However, we have assumed that they used the standard 30 percent.

On page I-36 we also explained our dissatisfaction with the EIR's projections of gross income for Arena events and concessions in the Arena. On the basis of our revised assumptions we can recompute the Sports Arena rent attributable to the sports teams. 1972 = (.08 rent) (80 use-days)[56]($4.85[57])(7,000 average attendees) = $218,000. This compares with the EIR's total for the two teams of $330,400 (Table C-13). Sports Arena concessions rent revenues we have already recomputed (page I-40).

As for concession revenues in the Exhibit Hall the EIR has made no effort to explain how these were arrived at. As far as we are concerned these are once again figures pulled out of the sky. Nevertheless, having no basis to contest them we give the EIR the benefit of the doubt and accept them.

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[56] The number of home games for the Seals and Warriors.

[57] This is $4.50 inflated from 1970 at four percent.

Thus, the rents on which the possessory interest tax is to be based are:

Year	Sports Teams	Arena Concessions	Exhibit Hall Concessions
1978	$274,000	$216,000	$502,100
1979	288,000	224,000	520,000
1980	298,000	232,000	543,000
1981	310,000	243,000	565,000
1982	322,000	252,000	585,000
1983	334,000	264,000	630,000

	Total	Tax	
		EIR (Table C-14)	Ours[58]
1977	$502,100	$109,000	$36,300
1978	1,010,000	113,400	79,500
1979	1,055,000	117,900	83,000
1980	1,095,000	122,600	86,100
1981	1,138,000	127,400	89,500
1982	1,184,000	132,500	93,500
1983	1,228,000	137,700	96,500

3. Apparel Mart. On page V-C-27 the EIR makes the argument that 75 percent of the Apparel Mart proposed for YBC can be attributed to the project since if the project were not built only 25 percent of the capital investment would be made on an apparel mart elsewhere. This directly contradicts the statement made on page III-9 where they say an

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[58] We have not used the *de facto* assessment ratio here of .201 but the *de jure* ratio of .250, since the Henry George School study did not really apply to possessory interests.

apparel mart half as large would be built. It also defies common sense for, if there is a demand for an apparel mart the size of the one proposed in YBC, then even considering the difficulties of amassing property, one at least approaching that size would be built somewhere else in the city as a result of natural market place forces.

The EIR goes on to say that this 75 percent figure is the multiplier to be used in determining the portion of Apparel Mart property taxes attributable to the YBC project. Incredibly, however, in actually doing its computations, the EIR applies 100 percent of the Apparel Mart's tax to the project's revenues. This sort of error seems very suspicious. One cannot help but get the impression that the authors of the EIR may have done this intentionally with the expectation that no one would check their calculations.

In an earlier section we explained how we felt that only 25 percent of the Mart's employment could be considered "new." The situation with respect to property tax is different in that we cannot consider the property taxes from the old apparel mart facilities at 821 Market and the Sheraton Palace to have disappeared even if these facilities go out of business as a result of the construction of the new YBC Mart. We do, however, stick to our assumption that if the YBC facility were not built, a mart at least half as large would be built anyway. Therefore, 50 percent of the YBC Apparel Mart's property taxes can be considered revenues of the project. To get the correct figures, then, we can merely multiply the EIR's figures in column 6 of Table C-15 by .5.

Apparel Mart Property Tax Impact

Year	EIR (Table C-15)	Ours
1978	$1,388,700	$695,000
1979	1,429,000	748,000
1980	1,429,300	772,000
1981	1,429,300	800,000
1982	1,429,300	835,000
1983	1,429,300	865,000

The EIR has not inflated their property tax estimates at four percent per annum. Perhaps there is a good reason for this. However, it seems obvious that land values do rise and that reassessments do take place. Therefore, we have seen fit to inflate our figures.

4. Retail Facilities. The EIR has correctly surmised that the property tax resulting from the total 343,000 square feet of retail space in the project cannot be considered a net increase attributable to the project. Only that portion that meets the demand created by the other facilities can be considered in this way. Since marginal YBC convention delegates are really the only retail spenders attracted by the project which otherwise would not exist, it is their expenditures that determine the attributable portion of retail space property tax revenues.

On the basis of our own corrected calculations of marginal YBC delegates and their retail expenditures, we computed on page I-32 the amount of "gross leasable retail area" necessary to meet the new demand created by the project. This was 44,750 square feet. Since "gross leasable area" is generally 80 percent of "gross area," this amounts

to 56,000 square feet "gross area." Accepting the EIR's assumption of $30 per square foot, 1972 dollars, for developmental costs we can now recompute new property tax revenues from retail space attributable to YBC:

$$1977 = (\$30)(1.22)(56{,}000)(.20)(.1259) = \$51{,}600$$

New Retail Space Property Tax Revenues

Year	EIR (Table C-16)	Ours
1977	$57,500	$51,600
1978	68,900	53,100
1979	76,300	55,700
1980	96,100	57,900
1981	116,700	60,000
1982	131,900	62,500
1983	131,900	65,000

5. Office Space. As we have already mentioned, property tax attributable to YBC as a result of new office space in the project is an item that the EIR did not see as attributable to the project, claiming that any office space in YBC would have been constructed without the project. We have said that we do not believe this is so and that as per our discussion on page I-55 we see that 56.5 percent of the new office construction in the project is directly attributable to it. Looking at the EIR's Table A-32 we get the following cumulative values for office construction completed in the project:[58]

Year	Value
1977	$ 66,550,000
1978	123,480,000
1979	132,080,000
1980	180,570,000
1981	226,870,000
1982	262,270,000
1983	297,070,000

Taking 1979, for instance, the entry here means that by the end of 1978 $123,480,000 worth of office space will have been constructed. The algorithm for computing the attributable portion of the property tax is:

1977 = (.565)(.20)(.1259)($66,550) = $950,000

New YBC Property Tax From Office Space[59]	
1977	$ 950,000
1978	1,760,000
1979	1,880,000
1980	2,640,000
1981	3,220,000
1982	3,700,000
1983	4,260,000

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[59] We have decided not to inflate the accessed valuation of office space on a per annum basis after the year of completion, although we have done this with the retail facilities, the hotel rooms and the Apparel Mart. This is because looking at the assessment figures for the downtown central business district over the 11-year period from fiscal year 1960 to fiscal year 1971 we see that assessed valuation increased at 3.5 percent per annum. Fiscal year 1960 = 284.6; fiscal year 1971 = 409.9. Editors of the S.F. Bay Guardian, Ultimate Highrise, p. 189. Considering the fact that over 12 million square feet of office space was also built during this period, this means that assessed valuation per square foot actually declined.

Total New Property Tax Revenues
(thousands $)

Year	Hotel	Possess.	A.M.	Retail	Office	Total	
						EIR (Table C-17)	Ours
1977	228	36.3		51.6	950	2,480.7	1,266
1978	317	77.5	695	53.1	1,760	3,287.3	2,905
1979	329	83.0	743	55.7	1,880	3,456.2	3,091
1980	341	86.0	772	57.9	2,640	3,797.0	3,797
1981	358	89.5	800	60.0	3,220	4,002.5	4,528
1982	372	93.5	835	62.5	3,700	4,320.7	5,064
1983	388	96.5	865	65.0	4,260	4,324.0	5,675

6. Gross Receipts. The city's gross receipts tax equals 0.1 percent of all retail and wholesale transactions. The EIR has given us a rough algorithm for determining retail sales subject to gross receipts tax: gross receipts taxable retail sales = $\frac{A + B + C}{.9}$, where

A = Sports Arena Concession Sales	B = Exhibition Hall Concession Sales	C = Retail Sales to Marginal YBC Delegates
1978--$720,000	1977--$1,380,000	1977--$13,150,000
1979-- 745,000	1978-- 1,435,000	1978-- 16,273,000
1980-- 775,000	1979-- 1,490,000	1979-- 16,950,000
1981-- 810,000	1980-- 1,545,000	1980-- 17,615,000
1982-- 840,000	1981-- 1,615,000	1981-- 18,285,000
1983-- 875,000	1982-- 1,681,000	1982-- 19,100,000
	1983-- 1,740,000	1983-- 19,800,000

The division by .9 results from the EIR's claim that the above figures only account for 90 percent of gross taxable retail sales. Having no other data we have accepted this.

For wholesale transactions we have accepted the EIR's figures. This is primarily because the EIR has once again given us no information about how these estimates were arrived at. Thus, we have no basis for judging their accuracy. Since the revenues involved here are small in relation to the others we have considered, it is not too serious if our gross receipts figure for wholesale transactions is inflated, which it most likely is if the EIR used to compute it their own erroneous assumption about the marginal portion of Apparel Mart sales.

The revenues to the city from gross receipts tax attributable to the YBC project are:

YBC Gross Receipts Tax
(thousands $)

Year	Tax From Retail Sales		Tax From Wholesale		Tax Total	
	EIR	Ours	EIR	Ours	EIR	Ours
1977	18.1	16.1			18.1	16.1
1978	19.4	20.2	12.7	12.7	32.1	32.9
1979	23.9	21.3	26.3	26.3	50.2	47.6
1980	29.1	22.1	41.1	41.1	70.2	63.2
1981	34.8	23.0	42.7	42.7	77.5	65.7
1982	39.5	24.0	44.4	44.4	83.9	68.4
1983	40.8	24.8	46.2	46.2	87.0	71.0

G. NON-CASH CREDITS

The EIR claims that the YBC will generate $49 million in "excess non-cash grant in aid credits" which translate into $32 million in cash for YBC and various other renewal projects in the city. The way this works is that through federal legislation administered by the Department

of Housing and Urban Development the federal government funds two-thirds of the "net project cost" of any approved renewal project. "New project cost" is defined as the sum of expenditures on land acquisition, resident relocation, demolition, site preparation, project administration, and "excess non-cash grants in aid," minus any proceeds that may result to the city or renewal agency from selling the redeveloped land.

"Excess non-cash grants in aid" in this formula are various local government expenditures that the federal government permits to have considered in the net project cost. They include capital outlays by the city on things like schools, housing, transit facilities, and also any expenditure by the city on redevelopment projects in excess of the one-third share the city is supposed to pay under the federal formula. Thus, portions of one project could serve as non-cash credits to another. Naturally, it is to the advantage of the city to maximize these "non-cash grants in aid" in any redevelopment project it undertakes with the federal government. Since "non-cash grants in aid" generally represent expenditures that the city has already made or would have made anyway, they increase the "net project cost" and thus the federal portion of outlays without incurring any cash costs to the city. What these "non-cash grants in aid" mean to the city in terms of cash can be computed as follows: $F = \frac{2(A - C)}{3}$, where F is the federal portion of "net project costs," A is actual project costs as described above, and C is the proceeds from land sales. When "non-cash grants in aid" in an amount we will call B are introduced to the formula, the federal portion increases by an increment, y, such that: $F + y = \frac{2(A + B - C)}{3}$. Solving for y, since we want to find out what additional portion the federal

government is going to pay out and the city thereby save, $y = \frac{2(A + B - C)}{3} - F$. But we already know that $F = \frac{2(A - C)}{3}$. So, $y = \frac{2(A + B - C)}{3} - \frac{2(A - C)}{3}$, or $y = 2/3B$. This means that only two-thirds of "non-cash grants in aid" can be considered cash savings to the city or what we will call "non-cash credits" from now on.

YBC turns out to be both a user and source of "non-cash grants in aid." As a result of around $42 million in "net project costs" for accumulation and preparation of the YBC site the federal government has laid out $28 million. The remaining $14 million is the local obligation. In order to pay it without using cash, the city must supply $21 (3/2 x 14) in "non-cash grants in aid." This is more than made up for by the fact that the completed project would generate something probably in excess of $75 million in "non-cash grants in aid." The EIR mentions only $48 million. However, consultation with sources in HUD reveal that the ultimate figure would be much higher than this.

The EIR goes on to argue that since $32 million of the $48 million it identifies can be considered as a cash saving to the city on other redevelopment projects it undertakes, this $32 million can be considered a revenue to the YBC project.

We wholeheartedly agree, but only if there is a reasonable expectation that there are going to be a sufficient number of redevelopment projects on which to use these credits. In fact there is not. Up to the present federal monies that have flowed so plentifully to San Francisco redevelopment efforts have come by means of a piece of legislation known as the Better Communities Act. For fiscal 1974 this Act is funded for only $137 million in the President's budget. This sum is for the

entire country. Congress is proposing $600 million, but even this represents a drastic cutback in a program that during years past has been allotted several billion dollars each year. The feeling is, according to the sources in HUD that we talked to, that whatever funding eventually does occur will only be sufficient to close out projects presently approved and in progress. Although, with special revenue sharing this cutback may not represent a net loss in federal funds to the city, it does throw out the whole concept of "non-cash credits," for the only place these are operable is under the Better Communities Act.

This means that YBC's "non-cash credits" can only be used on federally funded projects which are presently approved and in progress. For San Francisco there are three of these: first, YBC itself, which needs a "non-cash credit" of $14 million; second, Western Addition A-2 housing project, which needs $15 million in "non-cash credits;"[60] and third, the India Basin housing project, which needs $8 million in "non-cash credits."[61] This gives us a total potential use of $37 million.

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[60] Net project cost................$105,000,000

Local share.....................$\frac{\$105,000,000}{3} = \$35,000,000$

Local cash payments..........................20,000,000

Portion needing non-cash credits..............$15,000,000

[61] Net project cost................$31,500,000

Local share.....................$\frac{\$31,500,000}{3} = \$10,500,000$

Local cash payments..........................2,500,000

Portion needing non-cash credits..............$ 8,000,000

YBC could easily cover this need. However, since the purpose of this study is to determine only those YBC revenues which would not be received by the city if the project were not constructed, we must look to see if all or some portion of this $37 million need could be covered by excess "non-cash credits" resulting from some other project. In fact this is the case, for the Embarcadero Center project has generated $15 million in "non-cash grants in aid."[62] This $15 million translates into $10 million of "non-cash credits." So in order to get the net effect of YBC in generating cash for other projects we must subtract this $10 million from the $37 million potential need. The result is $27 million in "non-cash credits," compared to the EIR's estimation of $32 million.

As to how these "non-cash credits" can be applied to net YBC project income, the EIR reasons that had these credits not been available, the funds would have to have been raised in some other manner, the most likely being a municipal bond issue. They go on to say that a 35-year bond issue for $32 million at six percent interest would require a yearly debt service cost of $2.207 million. This, then, is the amount they claim can be considered yearly income to the city as a result of YBC's "non-cash grants in aid."

Applying the same reasoning to our figure for "non-cash credits," $1.92 million per year would be required to amortize a six percent loan on $27 million over 35 years.

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[62] Net project cost....................$30,000,000

Local share........................ $\frac{\$30,000,000}{3}$ = $10,000,000

Local cash payments............................ $\underline{25,000,000}$

Excess......................................$15,000,000

Net Revenues to the City Government Resulting from the YBC Project

(in thousands of dollars)

Year	Site Rentals		Operating Income From Public Facilities		Facilities Use Tax		Hotel Tax		Sales Tax	
	EIR	Ours	EIR	Ours	EIR	Ours	EIR	Ours	EIR	Ours
1977	266	266	1,632	99	684	107	2,165	2,302	163	132
1978	335	335	2,739	458	1,067	828	2,365	2,405	174	163
1979	397	392	2,849	482	1,110	868	2,458	2,535	215	170
1980	457	447	2,963	498	1,154	901	2,617	2,645	262	176
1981	516	500	3,081	521	1,201	933	2,784	2,755	313	183
1982	523	502	3,204	540	1,248	970	2,930	2,873	356	191
1983	530	502	3,333	559	1,298	1,013	3,006	2,986	367	197

	Property Tax		Gross Receipts Tax		Sub Total		Non-Cash Credits		Total	
	EIR	Ours	EIR	Ours	EIR	Ours	EIR	Ours	EIR	Ours
1977	2,480	1,266	18.1	16.1	7,410	4,128	2,207	1,928	9,617	6,116
1978	3,287	2,905	32.9	32.9	10,000	7,127	2,207	1,928	12,207	9,055
1979	3,456	3,091	50.2	47.6	10,536	7,586	2,207	1,928	12,743	9,514
1980	3,797	3,797	70.2	63.2	11,321	8,527	2,207	1,928	13,528	10,455
1981	4,002	4,528	77.5	65.7	12,074	9,486	2,207	1,928	14,281	11,414
1982	4,321	5,064	83.9	68.4	12,665	10,208	2,207	1,928	14,872	12,136
1983	4,325	5,675	87.0	71.0	12,945	11,013	2,207	1,928	15,152	12,941

II. SUMMARY OF FISCAL REVENUE TO THE CITY

In reports of this variety where economic feasibility is discussed and large amounts of numerical data are presented the summary inevitably assumes a greater importance than it should. This is quite simply because the casual or quick reader, accounting for the vast majority of decision makers in business and public affairs, is unwilling to carefully scrutinize assumptions and computational methodology that lead to the conclusions in any report. They merely want the "high points" and they judge these not on the basis of the reasoning behind them, but on the thickness of the report and the ideological orientation of the compiler. This mentality, for instance, accounts for the fact that Arthur D. Little's YBC EIR is printed on bond so heavy that it approaches light cardboard.

The result is that the authors of such reports often put conclusions in their summaries that the texts do not justify. This is certainly the case in Arthur D. Little's EIR where assertions are made in the summary that are either misleadingly out of context or never substantiated anywhere else in the report. For instance, they make claims about the role of convention trade in the San Francisco economy that are not only erroneous, but quite patently so once we see how they are derived. They make assertions about the number of permanent jobs the project will create without telling us that these are at the very lowest end of the pay scale and that even so they represent a net decrease over what was in the area before. They make other claims about the number of temporary construction jobs YBC will create without explaining that few of these will ever go to San Franciscans and that what jobs are created will have a negative accelerator effect on the local economy. They claim that YBC will result

in a net fiscal gain to city government, but do not bother to say that this balance is based on the exclusion of all the project's external costs like increased city services and opportunity costs associated with the financing plan. They say that the project will have little effect on peak hour congestion, yet do not bother to mention that this conclusion excludes from consideration the project's proposed 6.9 million square feet of office space and 33,000 new office workers. Thus, the summary becomes a place where the facts are given an extra dab of hocus pocus so that they lead to the desired conclusion. The rationale here is that what the body of the report does not prove the summary will.

Naturally, if the authors operate under the assumption that no one will read their work in full, the main body of the report suffers as well. This, again, is the case in the YBC EIR where we have seen in the presentation and treatment of data:

1. Misapplication of statistical techniques;
2. Factually erroneous assumptions;
3. Assumptions stated but not applied in actual computations;
4. Erroneous algorithms;
5. Inconsistent application of assumptions for the same type of computations;
6. Underived and unexplained figures inserted into computations; and
7. Arithmetical errors (of major consequence).

In this light we are very reluctant to sum up what we have set forward in this report. We would wish that the reader examine what is here in full and understand our conclusions from their beginning assumptions

to their final computation. However, in the absence, at this time, of a section on costs we would like to briefly compare our version of the project's revenues to its costs just for construction and debt service.

Referring to the table on page II-40a,we see that revenues range from $6.116 million in 1977 to $12.941 million in 1983, after which they will be flat except for increases caused by inflation. As we have seen, these projections quite generously provide for revenues which may never materialize, such as "non-cash credits" for other renewal projects, taxes from tentative private development within the project area, and income from "public facilities" that in other cities have proved unprofitable.

To finance the cost of constructing the project, a $203 million bond issue amortized over 35 years has been proposed. After consulting several bond brokerage houses, it appears that these bonds can be obtained for the low interest rate of six percent, if they are backed by the "full faith and credit" of the city's taxing power. In this case the debt service costs would amount to $14.457 million per year. If the bond issue were increased to $220 million, which seems likely, the debt service would be around $15.8 million. The costs of constructing and financing the project, therefore, exceeds 1983 revenues by anywhere from $1.5 million to $2.8 million. Naturally, if we consider the external costs of police and fire service to the area, costs due to new demand on publicly maintained transportation facilities, costs from increased load on the city's solid waste disposal facilities, costs of administering environmental and other municipal policies in the area, opportunity costs associated with taking 87 acres of downtown real estate off the city's

tax rolls, losses of revenues to Brooks Hall, Civic Auditorium, and Kezar Stadium, and many other costs that directly hit the city's coffers, this short fall becomes considerable and represents a heavy burden on local taxpayers.

Sometime in the 1990s the revenues of the project may catch up with the debt service costs merely because of inflation. However, while the cost of retiring the debt remains constant, the cost of external factors, mentioned above, increases with inflation just as revenues do. Therefore, the possibility of the YBC project ever resulting in a net fiscal gain to the city is extremely remote.

Furthermore, there is every possibility that the proposed method of financing the project we described is illegal. This is because the San Francisco Board of Supervisors and the Redevelopment Agency have pledged the "full faith and credit" of the city's taxpayers without ever asking them in a ballot proposition if this is what they wished. Two lawsuits on this point are now in process and a precedent in Michigan, Allan et al. v. County of Wayne, where the court ruled a similar financing scheme illegal, indicates these suits may succeed. In this eventuality, funds would have to be raised with a general obligation bond issue requiring voter approval, or else by some means that would not require that the city's taxpayers be the guarantors of the debt. Since the likelihood of the voters passing a bond issue is slim, the latter possibility seems most likely. However, since the appropriate other means of financing, such as a nonprofit corporation bond issue, entail none of the tax benefits of municipal bonds or the security of taxpayer backing, they would be considerably more expensive. They would command interest rates of

eight or nine percent and a yearly debt service payment of over $20 million. At this price the project is clearly unfeasible and therefore would have extreme difficulty finding anyone to finance it.

In conclusion, we believe that if some rationale for going ahead with the YBC project is to be found it must be looked for in some other area besides the project's economic and fiscal impact. Indeed, from this point of view the project seems quite clearly to be a liability rather than an asset.